

TOWN OF WARE, MASSACHUSETTS

***REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS***

YEAR ENDED JUNE 30, 2021

TOWN OF WARE, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

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Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Ware, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ware, Massachusetts as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Ware, Massachusetts' 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in 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 of Ware, Massachusetts, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2022 on our consideration of the Town of Ware, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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 of Ware, Massachusetts' internal control over financial reporting and compliance.



August 31, 2022

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Ware, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2021. We encourage readers to consider the information presented in this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

Financial Highlights

- The government's total net position increased by \$2.6 million.
- On a government-wide basis, the Town has recognized a net pension liability of \$15.3 million, deferred outflows related to pensions of \$2.1 million and deferred inflows related to pensions of \$3 million.
- On a government-wide basis, the Town has recognized a net other postemployment benefits (OPEB) liability of \$24.6 million, along with deferred outflows related to OPEB of \$5.1 million and deferred inflows related to OPEB of \$3.8 million.
- As of the close of the current year, the Town's governmental funds reported a combined ending fund balance of \$8.8 million, an increase of \$2.3 million in comparison with the prior year.
- At the end of the current year, unassigned fund balance for the general fund was \$4.9 million, or 13.5% of total general fund expenditures.

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 of Ware's basic financial statements are comprised of three components: 1) the government-wide financial statements, 2) the fund financial statements, and 3) the notes to the financial statements. The government-wide financial statements provide both long-term and short-term information about the Town as a whole. The fund financial statements focus on the individual parts of the Town government, reporting the Town's operations in more detail than the government-wide statements. Both presentations (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison and enhance the Town's accountability. An additional part of the basic financial statements are the notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business. The statements provide both short-term and long-term information about the Town's financial position, which assists in assessing the Town's economic position at the end of the year. The statements are prepared using the full accrual basis of accounting. All revenues and expenses connected with the year are considered even if cash involved has not been received or disbursed. The government-wide financial statements include two statements:

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

The *statement of activities* presents information showing how the government's net position changed during the most recent 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 periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*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 include general government, public safety, education, public works, health and human services, culture and recreation, and interest. The business-type activities include the activities of the sewer enterprise and water enterprise funds.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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 statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the 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 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. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Ware adopts an annual budget for its general fund. A budgetary comparison schedule has been provided for the general fund as required supplementary information after the notes to the financial statements to demonstrate compliance with this budget.

The Town has several governmental funds, of which, two are presented as major funds. In addition to the general fund, the Town presents the coronavirus relief grant fund as a major fund. The remaining governmental funds are aggregated and shown as nonmajor governmental funds.

Proprietary funds. The Town maintains proprietary funds that provide the same information as the government-wide financial statements, only in more detail. The Town maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The proprietary fund financial statements provide separate information for the sewer and water activities.

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

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

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. The Town's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources for governmental activities by \$462,000 at the close of 2021.

Details related to the Town's governmental and business-type activities follow.

Governmental Activities

	2021	(As Revised) 2020
Assets:		
Current assets.....	\$ 15,616,253	\$ 12,918,874
Capital assets, non depreciable.....	2,849,726	4,727,931
Capital assets, net of accumulated depreciation....	23,353,808	21,484,348
Total assets.....	41,819,787	39,131,153
Deferred outflows of resources.....	6,889,007	3,732,270
Liabilities:		
Current liabilities (excluding debt).....	4,878,962	3,106,295
Noncurrent liabilities (excluding debt).....	37,863,885	33,800,260
Current debt.....	1,440,397	1,960,981
Noncurrent debt.....	2,364,746	2,200,364
Total liabilities.....	46,547,990	41,067,900
Deferred inflows of resources.....	6,566,709	8,316,369
Net position:		
Net investment in capital assets.....	22,775,807	22,050,934
Restricted.....	1,060,357	1,212,232
Unrestricted.....	(28,242,069)	(29,784,012)
Total net position.....	\$ (4,405,905)	\$ (6,520,846)

Net position of \$22.8 million reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment) less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of its 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 totaling \$1.1 million represents resources that are subject to external restrictions on how they may be used.

The remaining balance of *unrestricted net position* has a year-end deficit balance of \$28.2 million. The primary reason for this deficit balance is the recognition of a \$23.6 million net other postemployment benefit liability and a \$14.2 million net pension liability. These items have a negative effect on unrestricted net position. At the end of the current year the Town is able to report positive balances in two of the three categories of governmental net position.

	2021	(As Revised) 2020
	<u>2021</u>	<u>2020</u>
Program Revenues:		
Charges for services..... \$	1,982,572	\$ 1,977,804
Operating grants and contributions.....	18,907,675	18,203,773
Capital grants and contributions.....	1,379,034	1,735,011
General Revenues:		
Real estate and personal property taxes, net of tax refunds payable.....	15,410,610	15,472,584
Tax and other liens.....	275,227	-
Motor vehicle and other excise taxes.....	1,321,953	1,095,950
Meals tax.....	131,778	115,122
Penalties and interest on taxes.....	168,799	140,806
Payments in lieu of taxes.....	14,168	13,962
Grants and contributions not restricted to specific programs.....	2,218,686	2,213,587
Unrestricted investment income.....	50,446	76,304
Total revenues.....	<u>41,860,948</u>	<u>41,044,903</u>
Expenses:		
General government.....	3,298,213	2,492,491
Public safety.....	4,885,626	5,493,806
Education.....	27,609,292	25,301,611
Public works.....	2,260,177	1,681,736
Health and human services.....	990,516	1,429,069
Culture and recreation.....	435,418	535,725
Interest.....	57,624	93,312
Total expenses.....	<u>39,536,866</u>	<u>37,027,750</u>
Excess (Deficiency) before transfers.....	2,324,082	4,017,153
Transfers.....	<u>(217,233)</u>	<u>181,134</u>
Change in net position.....	2,106,849	4,198,287
Net position, beginning of year.....	<u>(6,512,754)</u>	<u>(10,722,606)</u>
Net position, end of year..... \$	<u><u>(4,405,905)</u></u>	<u><u>(6,524,319)</u></u>

The Town's governmental activities increased \$2.1 million due to the recognition of capital grant revenue in the amount of \$1.4 million. The capital grant revenue is primarily related to a grant received from the Massachusetts School Building Authority relative to window and door replacement at the buildings under control of the school department.

Business-type Activities

For the Town's business-type activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$3.9 million at the close of 2021.

	2021	2020
Assets:		
Current assets.....	\$ 2,632,012	\$ 1,970,593
Capital assets, non depreciable.....	1,011,993	993,137
Capital assets, net of accumulated depreciation....	4,172,098	4,355,448
Total assets.....	7,816,103	7,319,178
Deferred outflows of resources.....	359,935	265,227
Liabilities:		
Current liabilities (excluding debt).....	46,307	148,639
Noncurrent liabilities (excluding debt).....	2,100,042	1,928,440
Current debt.....	920,652	881,600
Noncurrent debt.....	800,753	675,000
Total liabilities.....	3,867,754	3,633,679
Deferred inflows of resources.....	367,170	482,189
Net position:		
Net investment in capital assets.....	3,462,686	3,791,985
Unrestricted.....	478,428	(323,448)
Total net position.....	\$ 3,941,114	\$ 3,468,537

	2021	2020
Program Revenues:		
Charges for services..... \$	2,225,906	\$ 1,966,533
General Revenues:		
Unrestricted investment income.....	4,085	12,546
Total revenues.....	2,229,991	1,979,079
Expenses:		
Water.....	1,041,712	855,574
Sewer.....	932,935	1,131,993
Total expenses.....	1,974,647	1,987,567
Excess (Deficiency) before transfers.....	255,344	(8,488)
Transfers.....	217,233	(181,134)
Change in net position.....	472,577	(189,622)
Net position, beginning of year.....	3,468,537	3,658,159
Net position, end of year..... \$	3,941,114	\$ 3,468,537

Net position of the business-type activities increased by \$473,000 in fiscal 2021 which is due to a combination of revenue growth and prudent managerial control over expenditures.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the Town of Ware'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 of Ware'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 year.

As of the end of the current year, governmental funds reported combined ending fund balances of \$8.8 million, an increase of \$2.3 million from the prior year. The significant elements of the change in combined fund balances is discussed in the following paragraphs.

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$4.9 million and \$1.3 million is assigned for obligations carried into the fiscal year 2022. Total fund balance of the general fund was \$6.3 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 13.5% of total general fund expenditures while total fund balance represents 18.4% percent of that same amount.

Ending fund balance of the general fund increased \$1.1 million from the prior year. This was largely due to actual revenue growth of 5% exceeding the budgeted growth in expenditures.

The *Coronavirus Relief Grant Fund* reports grant activity and related resources that are available to the Town as a result of the passages of the ARPA, CARES and various other state and third party grants that are meant to assist the Town in responding to public health and economic impacts of COVID-19. The fund recognized revenues of \$982,000 that was offset by expenditures in amount of \$974,000. The prior year fund deficit of \$8,200 was fully funded with fiscal year 2021 grant revenues.

Nonmajor governmental funds, which are comprised of special revenue funds and permanent funds, ended the year with a fund balance of \$2.5 million which is reflective of an increase of \$1.1 million from the prior year.

General Fund Budgetary Highlights

The original available general fund budget consisted of \$32.9 million in departmental appropriations inclusive of \$935,000 carried forward from 2020. The \$1.6 million increase between the original budget and final budget was funded with resources transferred in from other funds and uses of existing fund balance.

Actual revenues were greater than budget expectations by \$1.6 million due to real estate and personal property taxes, motor vehicle excise taxes and intergovernmental revenues being greater than expected. This is attributable to conservative approach to forming the budget. This approach was necessary given the uncertainties involved with operating in a COVID-19 environment. Actual expenditures plus encumbrances were under budget, in a variety of budget categories, by an aggregate amount of \$1.6 million.

Capital Asset and Debt Administration

During the current year, the Town capitalized \$2.1 million of governmental activities capital expenditures. The amounts capitalized reflected investments in infrastructure, vehicles and equipment purchases and building construction in process.

The outstanding long-term debt of the general government, as of June 30, 2021, totaled \$2.7 million of which \$267,000 is related to the Old Poor Farm Road project, \$165,000 is related to the landfill project, \$1.2 million is related to various building construction projects, \$1 million is related to various equipment purposes, and \$20,000 is related to the Veterans Park project.

The water enterprise fund has outstanding short, and long term, debt of \$1.2 million that is fully supported by the rates and does not rely on a general fund subsidy.

The sewer enterprise fund has outstanding short, and long term, debt of \$562,000 that is fully supported by the rates and does not rely on a general fund subsidy.

Please refer to notes 4, 5, 7 and 8 for further analysis of the major capital and debt activity.

Other Postemployment Benefit Trust

The Town elected under Massachusetts General Law to establish a trust to account for contributions set aside for other postemployment benefits. During 2021, the Town pre-funded benefits by contributing \$245,000 to the trust. Under the law, the trust fund was established to accumulate resources to assist in the Town's efforts to pay for future retiree health obligations. As of June 30, 2021, the balance in the trust totaled \$1.3 million. The Town's other postemployment benefits obligations are discussed in more detail in Note 12.

Requests for Information

This financial report is designed to provide a general overview of the Town of Ware's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Manager, Town of Ware, 126 Main Street, Ware, Massachusetts, 01082.

Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2021

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 12,429,995	\$ 2,406,574	\$ 14,836,569
Investments.....	982,334	-	982,334
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	304,619	-	304,619
Tax liens.....	486,655	21,314	507,969
Motor vehicle and other excise taxes.....	231,004	-	231,004
User charges.....	-	204,124	204,124
Departmental and other.....	356,027	-	356,027
Intergovernmental - other.....	778,887	-	778,887
Other assets.....	46,732	-	46,732
Total current assets.....	<u>15,616,253</u>	<u>2,632,012</u>	<u>18,248,265</u>
NONCURRENT:			
Capital assets, nondepreciable.....	2,849,726	1,011,993	3,861,719
Capital assets, net of accumulated depreciation.....	<u>23,353,808</u>	<u>4,172,098</u>	<u>27,525,906</u>
Total noncurrent assets.....	<u>26,203,534</u>	<u>5,184,091</u>	<u>31,387,625</u>
TOTAL ASSETS.....	<u>41,819,787</u>	<u>7,816,103</u>	<u>49,635,890</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	1,995,542	151,158	2,146,700
Deferred outflows related to other postemployment benefits.....	<u>4,893,465</u>	<u>208,777</u>	<u>5,102,242</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	<u>6,889,007</u>	<u>359,935</u>	<u>7,248,942</u>
LIABILITIES			
CURRENT:			
Warrants payable.....	2,212,061	27,439	2,239,500
Accrued payroll.....	1,073,163	16,541	1,089,704
Accrued interest.....	13,019	2,327	15,346
Other liabilities.....	1,029,228	-	1,029,228
Capital lease obligations.....	300,365	-	300,365
Compensated absences.....	551,491	-	551,491
Notes payable.....	825,000	805,684	1,630,684
Bonds payable.....	<u>315,032</u>	<u>114,968</u>	<u>430,000</u>
Total current liabilities.....	<u>6,319,359</u>	<u>966,959</u>	<u>7,286,318</u>
NONCURRENT:			
Compensated absences.....	-	13,565	13,565
Net pension liability.....	14,237,956	1,078,491	15,316,447
Net other postemployment benefits liability.....	23,625,929	1,007,986	24,633,915
Bonds payable.....	<u>2,364,746</u>	<u>800,753</u>	<u>3,165,499</u>
Total noncurrent liabilities.....	<u>40,228,631</u>	<u>2,900,795</u>	<u>43,129,426</u>
TOTAL LIABILITIES.....	<u>46,547,990</u>	<u>3,867,754</u>	<u>50,415,744</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes paid in advance.....	138,756	-	138,756
Deferred inflows related to pensions.....	2,808,838	212,763	3,021,601
Deferred inflows related to other postemployment benefits.....	<u>3,619,115</u>	<u>154,407</u>	<u>3,773,522</u>
TOTAL DEFERRED INFLOWS OF RESOURCES.....	<u>6,566,709</u>	<u>367,170</u>	<u>6,933,879</u>
NET POSITION			
Net investment in capital assets.....	22,775,807	3,462,686	26,238,493
Restricted for:			
Permanent funds:			
Expendable.....	193,963	-	193,963
Nonexpendable.....	146,641	-	146,641
Gifts and grants.....	719,753	-	719,753
Unrestricted.....	<u>(28,242,069)</u>	<u>478,428</u>	<u>(27,763,641)</u>
TOTAL NET POSITION.....	<u>\$ (4,405,905)</u>	<u>\$ 3,941,114</u>	<u>\$ (464,791)</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 3,298,213	\$ 491,086	\$ 1,250,340	\$ -	\$ (1,556,787)
Public safety.....	4,885,626	1,206,283	145,923	-	(3,533,420)
Education.....	27,609,292	121,292	16,426,606	1,144,668	(9,916,726)
Public works.....	2,260,177	66,097	362,762	234,366	(1,596,952)
Health and human services.....	990,516	33,822	685,363	-	(271,331)
Culture and recreation.....	435,418	63,992	36,681	-	(334,745)
Interest.....	57,624	-	-	-	(57,624)
Total Governmental Activities.....	39,536,866	1,982,572	18,907,675	1,379,034	(17,267,585)
<i>Business-Type Activities:</i>					
Water.....	1,041,712	1,288,376	-	-	246,664
Sewer.....	932,935	937,530	-	-	4,595
Total Business-Type Activities.....	1,974,647	2,225,906	-	-	251,259
Total Primary Government.....	\$ 41,511,513	\$ 4,208,478	\$ 18,907,675	\$ 1,379,034	\$ (17,016,326)

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page..... \$	(17,267,585)	\$ 251,259	\$ (17,016,326)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	15,410,610	-	15,410,610
Tax and other liens.....	275,227	-	275,227
Motor vehicle and other excise taxes.....	1,321,953	-	1,321,953
Meals tax.....	131,778	-	131,778
Penalties and interest on taxes.....	168,799	-	168,799
Payments in lieu of taxes.....	14,168	-	14,168
Grants and contributions not restricted to specific programs.....	2,218,686	-	2,218,686
Unrestricted investment income.....	50,446	4,085	54,531
<i>Transfers, net</i>	(217,233)	217,233	-
Total general revenues and transfers.....	<u>19,374,434</u>	<u>221,318</u>	<u>19,595,752</u>
Change in net position.....	2,106,849	472,577	2,579,426
<i>Net position:</i>			
Beginning of year.....	<u>(6,512,754)</u>	<u>3,468,537</u>	<u>(3,044,217)</u>
End of year..... \$	<u><u>(4,405,905)</u></u>	<u><u>3,941,114</u></u>	<u><u>(464,791)</u></u>

(Concluded)

See notes to basic financial statements.

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2021

	General	Coronavirus Grant Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents.....	\$ 8,509,676	\$ 670,529	\$ 3,249,790	\$ 12,429,995
Investments.....	600,603	-	381,731	982,334
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	304,619	-	-	304,619
Tax liens.....	486,655	-	-	486,655
Motor vehicle and other excise taxes.....	231,004	-	-	231,004
Departmental and other.....	-	-	356,027	356,027
Intergovernmental - other.....	-	77,264	701,623	778,887
Due from other funds.....	227,321	-	-	227,321
Other assets.....	-	-	46,732	46,732
TOTAL ASSETS.....	\$ 10,359,878	\$ 747,793	\$ 4,735,903	\$ 15,843,574
LIABILITIES				
Warrants payable.....	\$ 1,682,917	\$ 120,810	\$ 408,334	\$ 2,212,061
Accrued payroll.....	1,017,569	5,828	49,766	1,073,163
Due to other funds.....	-	-	227,321	227,321
Accrued interest on notes payable.....	4,050	-	-	4,050
Other liabilities.....	40,313	621,155	367,760	1,029,228
Notes payable.....	310,000	-	515,000	825,000
TOTAL LIABILITIES.....	3,054,849	747,793	1,568,181	5,370,823
DEFERRED INFLOWS OF RESOURCES				
Taxes paid in advance.....	138,756	-	-	138,756
Unavailable revenue.....	899,592	-	651,027	1,550,619
TOTAL DEFERRED INFLOWS OF RESOURCES.....	1,038,348	-	651,027	1,689,375
FUND BALANCES				
Nonspendable.....	-	-	146,641	146,641
Restricted.....	-	-	3,186,041	3,186,041
Assigned.....	1,306,144	-	-	1,306,144
Unassigned.....	4,960,537	-	(815,987)	4,144,550
TOTAL FUND BALANCES.....	6,266,681	-	2,516,695	8,783,376
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 10,359,878	\$ 747,793	\$ 4,735,903	\$ 15,843,574

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION**

JUNE 30, 2021

Total governmental fund balances.....		\$ 8,783,376
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		26,203,534
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		1,550,619
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....		461,054
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(8,969)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(2,679,778)	
Net pension liability.....	(14,237,956)	
Net other postemployment benefits liability.....	(23,625,929)	
Capital lease obligations.....	(300,365)	
Compensated absences.....	<u>(551,491)</u>	
Net effect of reporting long-term liabilities.....		<u>(41,395,519)</u>
Net position of governmental activities.....		<u>\$ (4,405,905)</u>

See notes to basic financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2021

	General	Coronavirus Grant Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ 15,810,010	\$ -	\$ -	\$ 15,810,010
Tax liens.....	347,732	-	-	347,732
Motor vehicle and other excise taxes.....	1,116,802	-	-	1,116,802
Meals tax.....	131,778	-	-	131,778
Charges for services.....	627,889	-	190,716	818,605
Penalties and interest on taxes.....	168,799	-	-	168,799
Fees and rentals.....	719,330	-	-	719,330
Payments in lieu of taxes.....	14,168	-	-	14,168
Licenses and permits.....	133,465	-	-	133,465
Fines and forfeitures.....	21,733	-	-	21,733
Intergovernmental - Teachers Retirement.....	3,759,614	-	-	3,759,614
Intergovernmental - other.....	13,080,739	982,244	4,466,308	18,529,291
Departmental and other.....	87,205	-	465,254	552,459
Contributions and donations.....	-	-	54,305	54,305
Investment income.....	24,710	-	25,736	50,446
TOTAL REVENUES.....	36,043,974	982,244	5,202,319	42,228,537
EXPENDITURES:				
Current:				
General government.....	1,830,898	385,320	764,733	2,980,951
Public safety.....	3,472,530	-	451,386	3,923,916
Education.....	15,521,652	588,755	2,806,991	18,917,398
Public works.....	1,033,254	-	1,021,405	2,054,659
Health and human services.....	630,215	-	311,057	941,272
Culture and recreation.....	351,756	-	43,166	394,922
Pension benefits.....	2,043,302	-	-	2,043,302
Pension benefits - Teachers Retirement.....	3,759,614	-	-	3,759,614
Employee benefits.....	3,795,193	-	-	3,795,193
State and county charges.....	1,305,015	-	-	1,305,015
Debt service:				
Principal.....	320,000	-	-	320,000
Interest.....	95,066	-	-	95,066
TOTAL EXPENDITURES.....	34,158,495	974,075	5,398,738	40,531,308
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	1,885,479	8,169	(196,419)	1,697,229
OTHER FINANCING SOURCES (USES):				
Issuance of bonds.....	-	-	789,272	789,272
Premium from issuance of bonds.....	-	-	21,484	21,484
Transfers in.....	253,780	-	659,000	912,780
Transfers out.....	(989,849)	-	(140,164)	(1,130,013)
TOTAL OTHER FINANCING SOURCES (USES).....	(736,069)	-	1,329,592	593,523
NET CHANGE IN FUND BALANCES.....	1,149,410	8,169	1,133,173	2,290,752
FUND BALANCES AT BEGINNING OF YEAR.....	5,117,271	(8,169)	1,383,522	6,492,624
FUND BALANCES AT END OF YEAR.....	\$ 6,266,681	\$ -	\$ 2,516,695	\$ 8,783,376

See notes to basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2021

Net change in fund balances - total governmental funds.....		\$ 2,290,752
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	2,063,798	
Depreciation expense.....	<u>(2,072,543)</u>	
Net effect of reporting capital assets.....		(8,745)
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		(335,785)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p>		
Principal payments on capital leases.....	66,980	
Issuance of bonds.....	(789,272)	
Premium from issuance of bonds.....	(21,484)	
Net amortization of premium from issuance of bonds.....	21,484	
Debt service principal payments.....	<u>320,000</u>	
Net effect of reporting long-term debt.....		(402,292)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	(8,761)	
Net change in accrued interest on long-term debt.....	6,464	
Net change in deferred outflow/(inflow) of resources related to pensions.....	(166,940)	
Net change in net pension liability.....	816,933	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits...	5,212,093	
Net change in net other postemployment benefits liability.....	<u>(5,296,870)</u>	
Net effect of recording long-term liabilities.....		<u>562,919</u>
Change in net position of governmental activities.....		\$ <u>2,106,849</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2021

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 2,163,125	\$ 243,449	\$ 2,406,574
Receivables, net of allowance for uncollectibles:			
Liens - user charges.....	12,059	9,255	21,314
User charges.....	110,272	93,852	204,124
Total current assets.....	2,285,456	346,556	2,632,012
NONCURRENT:			
Capital assets, non depreciable.....	664,319	347,674	1,011,993
Capital assets, net of accumulated depreciation.....	3,229,123	942,975	4,172,098
Total noncurrent assets.....	3,893,442	1,290,649	5,184,091
TOTAL ASSETS.....	6,178,898	1,637,205	7,816,103
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	72,707	78,451	151,158
Deferred outflows related to other postemployment benefits.....	175,862	32,915	208,777
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	248,569	111,366	359,935
LIABILITIES			
CURRENT:			
Warrants payable.....	10,933	16,506	27,439
Accrued payroll.....	9,097	7,444	16,541
Accrued interest.....	1,340	987	2,327
Notes payable.....	633,285	172,399	805,684
Bonds payable.....	71,713	43,255	114,968
Total current liabilities.....	726,368	240,591	966,959
NONCURRENT:			
Compensated absences.....	4,503	9,062	13,565
Net pension liability.....	518,750	559,741	1,078,491
Net other postemployment benefits liability.....	849,072	158,914	1,007,986
Bonds payable.....	455,024	345,729	800,753
Total noncurrent liabilities.....	1,827,349	1,073,446	2,900,795
TOTAL LIABILITIES.....	2,553,717	1,314,037	3,867,754
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions.....	102,338	110,425	212,763
Deferred inflows related to other postemployment benefits.....	130,064	24,343	154,407
TOTAL DEFERRED INFLOWS OF RESOURCES.....	232,402	134,768	367,170
NET POSITION			
Net investment in capital assets.....	2,733,420	729,266	3,462,686
Unrestricted.....	907,928	(429,500)	478,428
TOTAL NET POSITION.....	\$ 3,641,348	\$ 299,766	\$ 3,941,114

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2021

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
OPERATING REVENUES:			
Charges for services.....	\$ 1,266,127	\$ 921,206	\$ 2,187,333
OPERATING EXPENSES:			
Cost of services and administration.....	609,902	625,627	1,235,529
Salaries and wages.....	290,801	246,023	536,824
Depreciation.....	126,124	57,226	183,350
TOTAL OPERATING EXPENSES.....	1,026,827	928,876	1,955,703
OPERATING INCOME (LOSS).....	239,300	(7,670)	231,630
NONOPERATING REVENUES (EXPENSES):			
Investment income.....	4,034	51	4,085
Interest expense.....	(14,885)	(4,059)	(18,944)
Penalties and interest.....	22,249	16,324	38,573
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	11,398	12,316	23,714
INCOME (LOSS) BEFORE TRANSFERS.....	250,698	4,646	255,344
TRANSFERS:			
Transfers in.....	82,078	248,771	330,849
Transfers out.....	(59,815)	(53,801)	(113,616)
TOTAL TRANSFERS.....	22,263	194,970	217,233
CHANGE IN NET POSITION.....	272,961	199,616	472,577
NET POSITION AT BEGINNING OF YEAR.....	3,368,387	100,150	3,468,537
NET POSITION AT END OF YEAR.....	\$ 3,641,348	\$ 299,766	\$ 3,941,114

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2021

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users.....	\$ 1,319,113	\$ 966,697	\$ 2,285,810
Payments to vendors.....	(505,788)	(649,030)	(1,154,818)
Payments to employees.....	(475,500)	(277,787)	(753,287)
NET CASH FROM OPERATING ACTIVITIES.....	337,825	39,880	377,705
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in.....	82,078	248,771	330,849
Transfers out.....	(59,815)	(53,801)	(113,616)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	22,263	194,970	217,233
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from the issuance of bonds and notes.....	707,085	365,399	1,072,484
Acquisition and construction of capital assets.....	(18,856)	-	(18,856)
Principal payments on bonds and notes.....	(413,300)	(468,300)	(881,600)
Interest expense.....	(44,711)	(5,018)	(49,729)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	230,218	(107,919)	122,299
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income.....	4,034	51	4,085
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	594,340	126,982	721,322
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	1,568,785	116,467	1,685,252
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 2,163,125	\$ 243,449	\$ 2,406,574
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH			
FROM OPERATING ACTIVITIES:			
Operating income (loss).....	\$ 239,300	\$ (7,670)	\$ 231,630
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation.....	126,124	57,226	183,350
Deferred (outflows)/inflows related to pensions.....	6,081	6,563	12,644
Deferred (outflows)/inflows related to other postemployment benefits.....	(187,313)	(35,058)	(222,371)
Penalties and interest.....	22,249	16,324	38,573
Changes in assets and liabilities:			
Liens - user charges.....	15,161	6,418	21,579
User charges.....	15,576	22,749	38,325
Warrants payable.....	(62,563)	(33,478)	(96,041)
Accrued payroll.....	1,596	727	2,323
Compensated absences.....	1,018	2,567	3,585
Net pension liability.....	(29,764)	(32,116)	(61,880)
Net other postemployment benefits liability.....	190,360	35,628	225,988
Total adjustments.....	98,525	47,550	146,075
NET CASH FROM OPERATING ACTIVITIES.....	\$ 337,825	\$ 39,880	\$ 377,705

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2021

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds
ASSETS		
Cash and cash equivalents.....	\$ -	\$ 63,867
Investments:		
Corporate bonds.....	-	193,611
Equity securities.....	1,369,606	-
TOTAL ASSETS.....	<u>1,369,606</u>	<u>257,478</u>
NET POSITION		
Restricted for other postemployment benefits.....	1,369,606	-
Held in trust for other purposes.....	-	257,478
TOTAL NET POSITION.....	<u>\$ 1,369,606</u>	<u>\$ 257,478</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2021

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer contributions.....	\$ 245,000	\$ -
Employer contributions for other postemployment benefit payments....	853,272	-
Contributions.....	<u>-</u>	<u>1,401</u>
Total contributions.....	<u>1,098,272</u>	<u>1,401</u>
Net investment income:		
Investment income.....	<u>215,588</u>	<u>4,422</u>
TOTAL ADDITIONS.....	<u>1,313,860</u>	<u>5,823</u>
DEDUCTIONS:		
Other postemployment benefit payments.....	853,272	-
Health and human services.....	-	3,651
Educational scholarships.....	<u>-</u>	<u>1,200</u>
TOTAL DEDUCTIONS.....	<u>853,272</u>	<u>4,851</u>
NET INCREASE (DECREASE) IN NET POSITION.....	460,588	972
NET POSITION AT BEGINNING OF YEAR.....	<u>909,018</u>	<u>256,506</u>
NET POSITION AT END OF YEAR.....	<u>\$ 1,369,606</u>	<u>\$ 257,478</u>

(1) The Pension Trust Fund is as of December 31, 2020.

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Ware, Massachusetts (Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

A. Reporting Entity

The Town of Ware is a municipal corporation that is governed by a Board of Selectmen.

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. The Town has determined that there are no component units.

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

The government-wide financial statements (i.e., statement of net position and statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

Fund Financial Statements

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 governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If 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 percent of the corresponding element (assets and deferred outflows of resources, liabilities and deferred inflows or resources, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If 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 percent of the corresponding element for all governmental and enterprise funds combined.

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

Fiduciary funds are reported by fund type.

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

Government-Wide Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions are charges between the general fund and water, sewer, and trash enterprise funds. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means 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 un-matured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60 days after year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *coronavirus grant fund* is a special revenue fund that reports grant activity and related resources that are available to the Town as a result of the passages of the ARPA, CARES and various other federal, state and third party grants that are meant to assist the Town respond to the public health and economic impacts of COVID-19.

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

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The *capital projects* fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

The *permanent fund* is used to account for and report financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Proprietary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded 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 the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major proprietary funds are reported:

The *sewer enterprise fund* is used to account for the Town's sewer activities.

The *water enterprise fund* is used to account for the Town's water activities.

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund type is reported:

The *other postemployment benefits trust fund* accumulates resources to provide funding for future OPEB (other postemployment benefits) liabilities.

The *private-purpose trust fund* is used to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trust funds have donor restrictions and trustee policies that do not allow the endowment portion and any unrealized appreciation to be spent. The restrictions and trustee policies only allow the trustees to approve spending of realized investment earnings. The Town's education related scholarships are accounted for in this fund.

D. Cash and Investments

Government-Wide and Fund Financial Statements

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

E. Fair Value Measurements

The Town reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially

affect amounts reported in these financial statements. For more information on the fair value of the Town's financial instruments, see Note 2 – Cash and Investments.

F. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the proprietary funds and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessors for 100% of the estimated fair market value. Taxes are due on August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the year of the levy.

Real estate tax liens are processed six months after the close of the valuation year on delinquent properties and are recorded as receivables in the year they are processed.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible accounts is not reported.

Personal property taxes cannot be secured through the lien process. The allowance of uncollectible accounts is estimated based on historical trends and specific account analysis.

Motor Vehicle Excise

Motor vehicle excise taxes are assessed annually for each vehicle registered and are recorded as receivables in the year of the levy. The Commonwealth of Massachusetts is responsible for reporting, to the Town's Board of Assessor's, the number of vehicles, as well as the fair value of those vehicles that are registered and stored within the Town. Based on a vote of the Board of Assessor's, the Town distributes bills to the registered vehicle owners. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

The allowance for uncollectible accounts is estimated based on historical trends and specific account analysis.

Departmental and Other

Departmental and other receivables consist primarily of ambulance charges and are recorded as receivables in the year accrued. The allowance of uncollectible accounts is estimated based on historical trends and specific account analysis. Management estimates that 100% of the departmental receivables will be fully collectible.

Intergovernmental

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectible accounts.

User Charges

User fees are levied quarterly (August 1st, November 1st, February 1st, and May 1st) based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Unbilled user fees are estimated at year-end and are recorded as revenue in the current period. Water and Sewer liens are processed in December of every year and included as a lien on the property owner’s tax bill. Water and Sewer charges and liens are recorded as receivables in the year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectible accounts.

G. Inventories

Government-Wide and Fund Financial Statements

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

H. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which include land, land improvements, buildings, building improvements, vehicles, machinery and equipment, and infrastructure (e.g., water mains and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of \$15,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Buildings and improvements.....	20 - 40
Machinery and equipment.....	3 - 10
Infrastructure.....	20 - 50

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the year of the purchase.

I. Deferred Outflows/Inflows of Resources*Government-Wide Financial Statements (Net Position)*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Town has reported deferred outflows of resources related to pensions and other postemployment benefits in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town has reported deferred inflows of resources related to taxes paid in advance, pensions and other postemployment benefits in this category.

Governmental Fund Financial Statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents assets that have been recorded in the governmental fund financial statements but the revenue is not available and so will *not* be recognized as an inflow of resources (revenue) until it becomes available. The Town has recorded unavailable revenue as deferred inflows of resources in the governmental fund balance sheet.

Unavailable revenue represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Unavailable revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

J. Interfund Receivables and Payables

During the course of operations, transactions occur between and within individual funds that may result in amounts owed between funds.

Transactions of a buyer/seller nature between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances".

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are not eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

K. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as operating transfers in and operating transfers out.

Government-Wide Financial Statements

Transfers between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

Fund Financial Statements

Transfers between and within funds are not eliminated from the individual fund statements and are reported as operating transfers in and operating transfers out.

L. Net position and Fund Equity

Government-Wide Financial Statements (Net position)

Net position reported as "net investment in capital assets" includes capital assets, net of accumulated depreciation, less the principal portion of outstanding debt used to acquire capital assets. Unspent bond proceeds of capital related debt are not considered to be capital assets. Outstanding debt related to future reimbursements from the Commonwealth's school building assistance program is not considered to be capital related debt. Net position is reported as restricted when amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Net position has been "restricted for" the following:

"Permanent funds - expendable" represents the amount of realized and unrealized investment earnings of donor restricted trusts. The restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings.

"Permanent funds - nonexpendable" represents amounts held in trust for which only investment earnings may be expended.

"Gifts and grants" represents restrictions placed on assets from outside parties.

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Financial Statements (Fund Balances)

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

“Nonspendable” fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

“Restricted” fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. For the Town, approval of a Town Meeting warrant article is the highest level of decision making authority that can commit fund balance. Once committed, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or approval of another Town Meeting warrant article is approved to remove or revise the commitment.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The Town will, from time to time, fund outlays for particular purposes from different components of fund balance. In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balances in the government fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. When different components of fund balance can be used for the same purpose, it is the Town’s policy to consider restricted fund balance to have been depleted first, followed by committed fund balance, and assigned fund balance. Unassigned fund balance is applied last.

M. Long-term Debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Hampshire County Regional Retirement System and the Massachusetts Teachers’ Retirement System. Additions to/deductions from the System’s fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Investment Income

Excluding the permanent funds, investment income derived from major and non-major governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

Investment income and realized gains (losses) on investments from the debt service reserve fund are transferred to the general fund. Unrealized gains (losses) on investments of the debt service reserve fund are recorded in the debt service reserve fund.

Proprietary funds retain their investment income.

P. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide and Proprietary Fund Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities.

Q. Use of Estimates

Government-Wide and Fund Financial Statements

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

R. Fund Deficits

Governmental Fund Financial Statements

Fund deficits exist in the Town's capital projects funds. These deficits will be funded in future fiscal years through grant receipts, debt issuances and other available funds.

S. Total Column

Government-Wide Financial Statements

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

NOTE 2 – CASH 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 statement of net position and balance sheet as "Cash and Cash Equivalents". The deposits and investments of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool). The Treasurer may also invest trust funds in securities, other than mortgage or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

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 formal deposit policy for custodial credit risk. At year-end, the carrying amount of deposits totaled \$14,459,608 and the bank balance totaled \$14,479,611. Of the bank balance, \$1,356,098 was covered by Federal Depository Insurance, \$12,770,479 was covered by the Depositors Insurance Fund and \$353,034 was uninsured and uncollateralized.

Investments

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

<u>Investment Type</u>	<u>Fair value</u>	<u>Maturities</u>	
		<u>Under 1 Year</u>	<u>1-5 Years</u>
<u>Debt securities:</u>			
U.S. treasury notes.....	\$ 206,115	\$ 96,075	\$ 110,040
Government sponsored enterprises.....	129,023	-	129,023
Corporate bonds.....	525,528	-	525,528
Total debt securities.....	860,666	\$ 96,075	\$ 764,591
<u>Other investments:</u>			
Equity securities.....	228,549		
Equity mutual funds.....	844,497		
Fixed income mutual funds.....	611,839		
Money market mutual funds.....	20,179		
MMDT - Cash portfolio.....	420,649		
Total investments.....	\$ 2,986,379		

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. Of the total investments, the Town has custodial credit risk equal to its investments in government sponsored enterprises, equity securities and corporate bonds. The Town does not have a formal investment policy for custodial credit risk.

Concentration of Credit Risk

The Town places no limit on the amount that may be invested in any one issuer.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to meet its obligations. The Town’s policy for credit risk requires all financial institutions wishing to do business with the Town to read the Town’s Investment Policy and to agree to comply with it. This policy requires minimum standards of credit worthiness as well as guidance for the types of investment allowed.

At June 30, 2021, the Town’s investments were rated as indicated at the top of the following page.

<u>Quality Rating</u>	<u>Government Sponsored Enterprises</u>	<u>Corporate Bonds</u>
AAA.....	\$ -	\$ -
AA+.....	129,023	-
A+.....	-	107,524
A.....	-	45,510
A-.....	-	139,141
BBB+.....	-	76,571
BBB.....	-	156,782
Total.....	\$ <u>129,023</u>	\$ <u>525,528</u>

The Town has not adopted a formal policy relating to Credit Risk.

Fair Value Measurement

The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town’s mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town chooses a tabular format for disclosing the levels within the fair value hierarchy.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town has the following recurring investments measurements as of June 30, 2021:

Investment Type	June 30, 2021	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value:				
<u>Debt securities:</u>				
U.S. treasury bonds.....	\$ 206,115	\$ 206,115	\$ -	\$ -
Government sponsored enterprises.....	129,023	129,023	-	-
Corporate bonds.....	525,528	-	525,528	-
Total debt securities.....	860,666	335,138	525,528	-
<u>Other investments:</u>				
Equity securities.....	228,549	228,549	-	-
Equity mutual funds.....	844,497	844,497	-	-
Fixed income.....	611,839	611,839	-	-
Money market mutual funds.....	20,179	20,179	-	-
Total other investments.....	1,705,064	1,705,064	-	-
Total investments measured at fair value.....	2,565,730	\$ 2,040,202	\$ 525,528	\$ -
Investments measured at amortized cost:				
MMDT - Cash portfolio.....	420,649			
Total investments.....	\$ 2,986,379			

NOTE 3 – RECEIVABLES

At June 30, 2021, receivables for the individual major and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as reported as follows:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
Real estate and personal property taxes.....	\$ 304,619	\$ -	\$ 304,619
Tax liens.....	486,655	-	486,655
Motor vehicle and other excise taxes.....	231,004	-	231,004
Departmental and other.....	356,027	-	356,027
Intergovernmental - other.....	778,887	-	778,887
Total.....	\$ 2,157,192	\$ -	\$ 2,157,192

At June 30, 2021, receivables for enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water liens - user charges.....	\$ 12,059	\$ -	\$ 12,059
Water user charges.....	110,272	-	110,272
Sewer liens - user charges.....	9,255	-	9,255
Sewer user charges.....	93,852	-	93,852
Total.....	<u>\$ 225,438</u>	<u>\$ -</u>	<u>\$ 225,438</u>

Governmental funds report *unavailable revenue* in connection with receivables and other assets for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current year, the various components of *unavailable revenue* reported in the governmental funds were as follows:

	General Fund	Other Governmental Funds	Total
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 181,933	\$ -	\$ 181,933
Tax liens.....	486,655	-	486,655
Motor vehicle and other excise taxes.....	231,004	-	231,004
Departmental and other.....	-	356,027	356,027
Intergovernmental.....	-	295,000	295,000
Total.....	<u>\$ 899,592</u>	<u>\$ 651,027</u>	<u>\$ 1,550,619</u>

NOTE 4 – CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 2,849,726	\$ -	\$ -	\$ 2,849,726
Construction in progress.....	1,878,205	1,450,642	(3,328,847)	-
Total capital assets not being depreciated....	<u>4,727,931</u>	<u>1,450,642</u>	<u>(3,328,847)</u>	<u>2,849,726</u>
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	31,681,817	3,614,679	-	35,296,496
Machinery and equipment.....	7,405,222	140,844	-	7,546,066
Infrastructure.....	10,102,495	186,480	-	10,288,975
Total capital assets being depreciated.....	<u>49,189,534</u>	<u>3,942,003</u>	<u>-</u>	<u>53,131,537</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(19,886,930)	(1,269,767)	-	(21,156,697)
Machinery and equipment.....	(4,510,733)	(526,484)	-	(5,037,217)
Infrastructure.....	(3,307,523)	(276,292)	-	(3,583,815)
Total accumulated depreciation.....	<u>(27,705,186)</u>	<u>(2,072,543)</u>	<u>-</u>	<u>(29,777,729)</u>
Total capital assets being depreciated, net.....	<u>21,484,348</u>	<u>1,869,460</u>	<u>-</u>	<u>23,353,808</u>
Total governmental activities capital assets, net....	<u>\$ 26,212,279</u>	<u>\$ 3,320,102</u>	<u>\$ (3,328,847)</u>	<u>\$ 26,203,534</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 393,400	\$ -	\$ -	\$ 393,400
Construction in progress.....	599,737	18,856	-	618,593
Total capital assets not being depreciated....	<u>993,137</u>	<u>18,856</u>	<u>-</u>	<u>1,011,993</u>
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	277,520	-	-	277,520
Machinery and equipment.....	174,883	-	-	174,883
Infrastructure.....	6,082,420	-	-	6,082,420
Total capital assets being depreciated.....	<u>6,534,823</u>	<u>-</u>	<u>-</u>	<u>6,534,823</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(85,471)	(21,758)	-	(107,229)
Machinery and equipment.....	(137,638)	(14,067)	-	(151,705)
Infrastructure.....	(1,956,266)	(147,525)	-	(2,103,791)
Total accumulated depreciation.....	<u>(2,179,375)</u>	<u>(183,350)</u>	<u>-</u>	<u>(2,362,725)</u>
Total capital assets being depreciated, net.....	<u>4,355,448</u>	<u>(183,350)</u>	<u>-</u>	<u>4,172,098</u>
Total business-type activities capital assets, net....	<u>\$ 5,348,585</u>	<u>\$ (164,494)</u>	<u>\$ -</u>	<u>\$ 5,184,091</u>

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:	
General government.....	\$ 128,384
Public safety.....	443,828
Education.....	898,952
Public works.....	416,731
Health and human services.....	98,793
Culture and recreation.....	<u>85,855</u>
 Total depreciation expense - governmental activities.....	 \$ <u>2,072,543</u>
 Business-Type Activities:	
Water.....	\$ 126,124
Sewer.....	<u>57,226</u>
 Total depreciation expense - business-type activities.....	 \$ <u>183,350</u>

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables are internal short-term advances for cash flow purposes. At June 30, 2021 the School Capital Projects Fund recorded an interfund payable of \$227,321 and the General Fund recorded an offsetting interfund receivable in the same amount.

In accordance with votes taken at the June 2020 Annual Town Meeting and the November 2020 Special Town Meeting, which established the various budget parameters for FY2021, the Town recorded the following transfers:

Transfers Out:	Transfers In:				Total	
	General fund	Nonmajor governmental funds	Water Enterprise fund	Sewer Enterprise fund		
General fund.....	\$ -	\$ 659,000	\$ 82,078	\$ 248,771	\$ 989,849	(1)
Nonmajor governmental funds.....	140,164	-	-	-	140,164	(2)
Water Enterprise fund.....	59,815	-	-	-	59,815	(3)
Sewer Enterprise fund.....	<u>53,801</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,801</u>	(4)
 Total.....	 \$ <u>253,780</u>	 \$ <u>659,000</u>	 \$ <u>82,078</u>	 \$ <u>248,771</u>	 \$ <u>1,243,629</u>	

- 1) To establish grant matching requirements and fund enterprise activity.
- 2) Transfer funding from Sale of Town property fund to reappropriate old capital project accounts.
- 3) To transfer funds relative to the general fund subsidy.
- 4) To transfer funds relative to the general fund subsidy.

NOTE 6 – LEASES

The Town has entered into lease agreements, as lessee, for the purposes of financing Emergency Medical Services vehicles. These lease agreements qualify as capital leases and therefore have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired under lease are as follows:

<u>Asset:</u>	<u>Governmental Activities</u>
Machinery, vehicles and equipmen \$	562,761
Less: accumulated depreciation...	<u>(360,797)</u>
Total..... \$	<u><u>201,964</u></u>

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

<u>Years ending June 30:</u>	<u>Governmental Activities</u>
2022..... \$	80,466
2023.....	80,466
2024.....	80,467
2025.....	44,841
2026.....	<u>44,841</u>
Total minimum lease payments.....	331,081
Less: amounts representing interest.....	<u>(30,716)</u>
Present value of minimum lease payments... \$	<u><u>300,365</u></u>

NOTE 7 – SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund.

The following short-term debt activity occurred during the fiscal year:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2020	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2021
Governmental Funds:							
	Municipal Purpose.....	1.00%	06/18/21	\$ 1,544,000	\$ -	\$ (1,544,000)	\$ -
	Municipal Purpose.....	0.85%	06/18/21	30,000	-	(30,000)	-
	Municipal Purpose.....	0.35%	06/17/22	-	515,000	-	515,000
	Municipal Purpose.....	0.35%	07/15/21	-	310,000	-	310,000
	Total Governmental Funds.....			<u>\$ 1,574,000</u>	<u>\$ 825,000</u>	<u>\$ (1,574,000)</u>	<u>\$ 825,000</u>
Water Enterprise Fund:							
	Municipal Purpose.....	1.00%	06/18/21	\$ 335,000	\$ -	\$ (335,000)	\$ -
	Municipal Purpose.....	0.35%	06/17/22	-	275,185	-	275,185
	Municipal Purpose.....	0.35%	07/15/21	-	358,100	-	358,100
	Total Water Enterprise Fund.....			<u>335,000</u>	<u>633,285</u>	<u>(335,000)</u>	<u>633,285</u>
Sewer Enterprise Fund:							
	Municipal Purpose.....	1.00%	06/18/21	431,600	-	(431,600)	-
	Municipal Purpose.....	0.35%	06/17/22	-	160,499	-	160,499
	Municipal Purpose.....	0.35%	07/15/21	-	11,900	-	11,900
	Total Sewer Enterprise Fund.....			<u>431,600</u>	<u>172,399</u>	<u>(431,600)</u>	<u>172,399</u>
	Total Enterprise Fund.....			<u>\$ 766,600</u>	<u>\$ 805,684</u>	<u>\$ (766,600)</u>	<u>\$ 805,684</u>

The Town made principal payments of \$172,385 towards the BANS due to mature on June 7, 2022. The remaining balance of the BAN was renewed.

NOTE 8 – LONG-TERM DEBT

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit". Details related to the outstanding indebtedness at June 30, 2021, and the debt service requirements of the governmental activities are as follows:

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2021
Municipal Purpose Bonds of 2008 Refunded....	2027	\$ 610,506	2% - 4%	\$ 610,506
Municipal Purpose Bonds of 2014.....	2034	1,457,000	2% - 4%	910,000
Municipal Purpose Bonds of 2017.....	2035	1,093,000	3% - 4%	680,000
Municipal Purpose Bonds of 2021.....	2041	789,272	3% - 4%	789,272
Total Bonds Payable.....				<u>\$ 2,989,778</u>

Debt service requirements for principal and interest in future years are as follows:

Year	Principal	Interest	Total
2022.....	\$ 315,032	\$ 86,563	\$ 401,595
2023.....	269,774	74,704	344,478
2024.....	258,295	65,368	323,663
2025.....	241,843	56,000	297,843
2026.....	233,005	49,812	282,817
2027.....	226,903	40,762	267,665
2028.....	161,226	32,018	193,244
2029.....	152,000	26,354	178,354
2030.....	151,700	22,266	173,966
2031.....	111,500	18,182	129,682
2032.....	111,200	14,892	126,092
2033.....	110,900	11,604	122,504
2034.....	110,600	8,326	118,926
2035.....	50,300	5,048	55,348
2036.....	30,100	3,730	33,830
2037.....	29,700	3,090	32,790
2038.....	29,400	2,460	31,860
2039.....	29,100	1,834	30,934
2040.....	28,800	1,216	30,016
2041.....	28,400	604	29,004
Total.....	\$ 2,679,778	\$ 524,833	\$ 3,204,611

Details related to the outstanding indebtedness at June 30, 2021, and the debt service requirements of the business-type activities are as follows:

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2021
Municipal Purpose Bonds of 2008.....	2027	\$ 343,921	2% - 4%	\$ 343,921
Municipal Purpose Bonds of 2014.....	2034	393,000	2% - 4%	185,000
Municipal Purpose Bonds of 2017.....	2035	500,000	3% - 4%	120,000
Municipal Purpose Bonds of 2021.....	2041	266,800	3% - 4%	266,800
Total Bonds Payable.....				\$ 915,721

Debt service requirements for principal and interest for enterprise fund bonds and notes payable in future years are as follows:

Year	Principal	Interest	Total
2022.....	\$ 114,968	\$ 31,083	\$ 146,051
2023.....	105,725	26,786	132,511
2024.....	106,705	22,664	129,369
2025.....	108,157	18,432	126,589
2026.....	101,995	15,852	117,847
2027.....	98,097	11,732	109,829
2028.....	73,774	7,704	81,478
2029.....	28,000	4,394	32,394
2030.....	13,300	3,684	16,984
2031.....	13,500	3,418	16,918
2032.....	13,800	3,148	16,948
2033.....	14,100	2,872	16,972
2034.....	14,400	2,590	16,990
2035.....	14,700	2,302	17,002
2036.....	14,900	2,008	16,908
2037.....	15,300	1,692	16,992
2038.....	15,600	1,366	16,966
2039.....	15,900	1,034	16,934
2040.....	16,200	698	16,898
2041.....	16,600	354	16,954
Total.....	\$ 915,721	\$ 163,813	\$ 1,079,534

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2021, the Town had the following authorized and unissued debt:

Purpose	Amount
Culvert - Old Poor Farm Road.....	\$ 84,000
Dump Truck.....	2,000
Water Supply Land.....	7,000
2nd Phase of I & I Study.....	18,000
Water Treatment Plant.....	5,665,000
Replace Door & Windows - WMS.....	2,768,122
Replace Boiler - BMK.....	637,041
Chapter 90 fiscal years 2017 - 2022.....	2,343,114
Fire Truck.....	625,000
Payloader DPW.....	208,000
Total.....	\$ 12,357,277

Change in Long-Term Liabilities

During the year ended June 30, 2021, the changes in long-term liabilities are as follows:

	Beginning Balance	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Governmental Activities:							
Long-term bonds payable.....	\$ 2,220,400	\$ 789,272	\$ (320,000)	\$ -	\$ (9,894)	\$ 2,679,778	\$ 315,032
Capital lease obligations.....	367,345	-	-	-	(66,980)	300,365	300,365
Compensated absences.....	542,730	-	-	135,179	(126,418)	551,491	551,491
Net pension liability.....	15,054,889	-	-	1,267,009	(2,083,942)	14,237,956	-
Net other postemployment benefits liability..	18,329,059	-	-	6,367,472	(1,070,602)	23,625,929	-
Total governmental activity long-term liabilities.....	\$ 36,514,423	\$ 789,272	\$ (320,000)	\$ 7,769,660	\$ (3,357,836)	\$ 41,395,519	\$ 1,166,888
Business-Type Activities:							
Long-term bonds payable.....	\$ 790,000	\$ 266,800	\$ (115,000)	\$ -	\$ (26,079)	\$ 915,721	\$ 114,968
Compensated absences.....	9,980	-	-	7,494	(3,909)	13,565	-
Net pension liability.....	1,140,371	-	-	95,974	(157,854)	1,078,491	-
Net other postemployment benefits liability..	781,998	-	-	275,171	(49,183)	1,007,986	-
Total business-type activity long-term liabilities.....	\$ 2,722,349	\$ 266,800	\$ (115,000)	\$ 378,639	\$ (237,025)	\$ 3,015,763	\$ 114,968

The governmental activities long-term liabilities are generally liquidated by the general fund. The business-type activities long-term liabilities are generally liquidated by the applicable enterprise fund.

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Town has reported principal portions of endowment funds as nonspendable.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints. They are:

- **Restricted:** fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- **Committed:** fund balances that contain self-imposed constraints of the government from its highest level of decision-making authority. The Town's highest level of decision-making authority is the Annual Town Meeting.
- **Assigned:** fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- **Unassigned:** fund balance of the general fund that is not constrained for any particular purpose.

The Town has classified its fund balances with the following hierarchy:

	General	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:			
Nonspendable:			
Permanent fund principal.....	\$ -	\$ 146,641	\$ 146,641
Restricted for:			
Other special revenue fund.....	-	347,921	347,921
Town revolving funds.....	-	282,130	282,130
Town gifts.....	-	88,279	88,279
School revolving funds.....	-	135,891	135,891
Federal grants.....	-	123,824	123,824
School gifts.....	-	570	570
State grants.....	-	500,127	500,127
Title V.....	-	21,822	21,822
School lunch.....	-	59,140	59,140
School choice.....	-	1,079,996	1,079,996
Other grants.....	-	6,953	6,953
Town capital projects.....	-	345,425	345,425
Permanent funds.....	-	193,963	193,963
Assigned to:			
Encumbrances:			
General government.....	164,312	-	164,312
Public safety.....	258,502	-	258,502
Education.....	606,057	-	606,057
Public works.....	118,823	-	118,823
Health and human services.....	10,450	-	10,450
Culture and recreation.....	148,000	-	148,000
Unassigned.....	4,960,537	(815,987)	4,144,550
Total Fund Balances.....	\$ 6,266,681	\$ 2,516,695	\$ 8,783,376

Massachusetts General Law Ch.40 §5B allows for the establishment of Stabilization funds for one or more different purposes on an as needed basis. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of Town Meeting. At June 30, 2021, the Town has set aside \$1.4 million in stabilization funds that are classified as part of the general fund in the governmental funds financial statements. This amount can be spent on general and/or capital purposes upon approval of Town Meeting and is reported as unassigned within the General Fund.

NOTE 10 – RISK FINANCING

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The Town participates in a premium-based health care plan for its active employees. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

NOTE 11 – PENSION PLAN*Plan Description*

The Town is a member of the Hampshire County Retirement System (HCRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 37 member units. The HCRS is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan.

The Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2020. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$3,759,614 is reported in the general fund as intergovernmental revenue and pension expense in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$30,438,686 as of the measurement date.

Benefits Provided

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the HCRRS a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The Town's proportionate share of the required contribution equaled its actual contribution for the year ended December 31, 2021, was \$2,239,747, which is 30.34% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

Pension Liabilities

At June 30, 2021, the Town reported a liability of \$15,316,447 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2020, the Town's proportion was 8.58%, which increased from its 8.11% proportion measured at December 31, 2019.

Pension Expense

For the year ended June 30, 2021, the Town recognized pension expense of \$1,542,567. At June 30, 2021, the Town reported deferred outflows of resources related to pensions of \$2,146,700 and deferred inflows of resources related to pensions of \$3,021,601.

The balances of deferred outflows and inflows at June 30, 2021, consist of the following:

Deferred Category	Outflows of Resources	Inflows of Resources	Total
Differences between expected and actual experience.....	\$ -	\$ (430,947)	\$ (430,947)
Difference between projected and actual earnings, net.....	-	(1,728,050)	(1,728,050)
Changes in assumptions.....	1,291,587	(352,304)	939,283
Changes in proportion and proportionate share of contributions...	855,113	(510,300)	344,813
Total deferred outflows/(inflows) of resources.....	\$ 2,146,700	\$ (3,021,601)	\$ (874,901)

The Town’s deferred outflows/inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2022.....	\$ (449,754)
2023.....	(87,917)
2024.....	(635,693)
2025.....	(75,163)
2026.....	<u>373,626</u>
Total deferred outflows/(inflows) of resources.....	\$ <u>(874,901)</u>

Actuarial Assumptions

The total pension liability in the January 1, 2020, actuarial valuation was determined using the following actuarial assumptions and was applied to all periods included in the measurement that was rolled back to December 31, 2020.

- Valuation date..... January 1, 2020.
- Actuarial cost method..... Entry Age Normal Cost Method.
- Amortization method - UAAL..... Increasing dollar amount at 4% to reduce the Unfunded Actuarial Accrued Liability to zero on or before June 30, 2033. The annual increase in appropriation is further limited to 7.50%.
- Asset valuation method..... The Actuarial Value of Assets is the market value of assets as of the valuation date reduced by the sum of:
 - a) 80% of gains and losses of the prior year,
 - b) 60% of gains and losses of the second prior year,
 - c) 40% of gains and losses of the third prior year, and
 - d) 20% of gains and losses of the fourth prior year.

Investment gains and losses are determined by the excess or deficiency of the expected return over the actual return on the market value. The actuarial valuation of assets is further constrained to be not less than 90% or more than 110% of market value.

Investment rate of return/discount rate.....	7.15%, net of pension plan investment expense, including inflation.
Inflation rate.....	2.20%
Projected salary increases.....	Group 1: 6% - 4.25%, based on service. Group 4: 7% - 4.75%, based on service.
Cost of living adjustments.....	3.00% of the first \$13,000 of retirement income.
Mortality rates.....	Mortality rates were based on the RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2018. For disabled lives, the mortality rates were based on the RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2018.

Changes in Assumption:

None.

Changes in Plan Provisions:

None.

Investment policy

The pension plan’s policy in regard to the allocation of invested assets is established by PRIT. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan. 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 real rates of return (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 real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of January 1, 2020 are summarized in table on the following page.

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity.....	25.00%	4.30%
International equity.....	13.50%	4.40%
Emerging equity.....	7.00%	6.30%
Private equity.....	11.00%	7.90%
Core bonds.....	15.00%	0.30%
Value ass fixed income.....	13.50%	2.70%
Real estate.....	13.00%	4.20%
Cash.....	2.00%	-0.30%
Total.....	100.00%	

Rate of return

For the year ended December 31, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 11.64%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan'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 of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.15%, as well as what the net position liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate:

	1% Decrease (6.15%)	Current Discount (7.15%)	1% Increase (8.15%)
<u>December 31, 2020 Measurement Date</u>			
The Town's proportionate share of the net pension liability.....	\$ 21,033,078	\$ 15,316,447	\$ 10,488,638
HCRS total net pension liability.....	\$ 245,234,922	\$ 178,581,940	\$ 122,292,147

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The Town of Ware administers a single-employer defined benefit healthcare plan (Plan). The Plan provides lifetime healthcare insurance for eligible retirees and their spouses through a single-employer define Other Postemployment Benefit (OPEB) plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Plan does not issue a publicly available financial report.

Funding Policy

The contribution requirements of plan members and the Town are established and may be amended by the Town. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 50% of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining percentage of their premium costs. For 2021, the Town's age-adjusted contribution to the plan totaled \$853,000.

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish a postemployment benefit trust fund and to enable the Town to raise taxes necessary to begin pre-funding its OPEB liabilities. During 2021, the Town pre-funded future OPEB liabilities totaling \$245,000, by contributing funds to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2021, the balance of this fund totaled \$1.4 million.

Summary of Significant Accounting Policies

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments

and participating interest-earning investment contracts (repurchase agreements) that have a maturity at the time of purchase of one year or less, which are reported at cost.

Measurement Date

The 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 as of July 1, 2020.

Employees Covered by Benefit Terms

The following table represents the Plan’s membership at July 1, 2020:

Active members.....	268
Inactive members currently receiving benefits.....	<u>212</u>
Total.....	<u><u>480</u></u>

Components of OPEB Liability

The following table represents the components of the Plan’s OPEB liability as of June 30, 2021:

Total OPEB liability.....	\$ 26,003,521
Less: OPEB plan’s fiduciary net position.....	<u>(1,369,606)</u>
Net OPEB liability.....	<u><u>\$ 24,633,915</u></u>
The OPEB plan’s fiduciary net position as a percentage of the total OPEB liability.....	5.27%

Significant Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, that was updated to June 30, 2021:

Valuation date.....	July 1, 2020.
Actuarial cost method.....	Entry Age Normal Cost Method.
Asset valuation method.....	Fair value of assets as of the Measurement Date, June 30, 2021.
Investment rate of return.....	5.98%, net of plan investment expense, including inflation.
Discount rate.....	4.25% per year, net of investment expenses.
Inflation rate.....	2.50% per year.

Mortality rates:

<p>Actives.....</p>	<p>General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females.</p> <p>Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females.</p>
<p>Retirees.....</p>	<p>General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females.</p> <p>Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.</p>
<p>Disabled.....</p>	<p>General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year.</p> <p>Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.</p>

Rate of return

The OPEB plan’s assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan.

For the year ended June 30, 2021, the annual money-weighted rate of return on OPEB plan investments was 22.32%. The money-weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

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 Plan’s expected future real rate of return of 3.73% is added to the expected inflation of 2.50% to produce the long-term expected nominal rate of return of 5.98% net of investment expense. Best estimates of geometric real rates of return for each major asset class included in the OPEB plan’s target asset allocation as of June 30, 2021.

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity - Large Cap.....	16.75%	4.90%
Domestic Equity - Small/Mid Cap.....	13.75%	5.40%
International Equity - Developed Market...	9.75%	5.32%
International Equity - Emerging Market....	6.75%	6.26%
Domestic Fixed Income.....	37.25%	1.40%
International Fixed Income.....	7.00%	1.30%
Alternatives.....	8.25%	6.32%
Real estate.....	0.00%	6.25%
Cash and equivalents.....	0.50%	0.00%
Total.....	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability was 4.25% and 4.50% as of the June 30, 2021 and 2020, measurement dates. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan’s funding policy. Based on these assumptions, the OPEB Plan’s Fiduciary Net Position is projected to be insufficient to make all projected benefit payments to current plan members. Therefore, the long-term expected rate of return on the OPEB Plan assets is applied to the projected benefits payments which the Fiduciary Net Position is expected to be sufficient to cover and the Municipal Bond Rate is applied thereafter. The Municipal Bond Rate is based on the S&P Municipal Bond 20 – Year High Grade Index ("SAPIHG"), which was 2.18% as of June 30, 2021. The S&P Municipal Bond 20 - Year High Grade Index is the index rate for 20-year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2020.....	\$ 20,020,075	\$ 909,018	\$ 19,111,057
Changes for the year:			
Service cost.....	679,147	-	679,147
Interest.....	912,478	-	912,478
Differences between expected and actual experience.....	(293,537)	-	(293,537)
Changes in assumptions.....	5,538,630	-	5,538,630
Benefit payments.....	(853,272)	(853,272)	-
Contributions - employer.....	-	1,098,272	(1,098,272)
Net investment income.....	-	215,588	(215,588)
Net change.....	5,983,446	460,588	5,522,858
Balances at June 30, 2021.....	\$ 26,003,521	\$ 1,369,606	\$ 24,633,915

Sensitivity of the net OPEB liability to changes in the discount rate

The following table presents the net other postemployment benefit liability, calculated using the discount rate of 4.25%, as well as what the net other postemployment benefit liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.25%) or 1-percentage point higher (5.25%) than the current rate.

	1% Decrease (3.25%)	Current Discount Rate (4.25%)	1% Increase (5.25%)
Net OPEB liability.....	\$ 29,428,043	\$ 24,633,915	\$ 20,365,664

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates

The following table presents the net other postemployment benefit liability and service cost, calculated using the current healthcare trend rate, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	1% Decrease	Current Trend	1% Increase
Net OPEB liability.....	\$ 20,830,804	\$ 24,633,915	\$ 29,493,162

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the Town recognized OPEB expense of \$84,777, and reported deferred outflows of resources and deferred inflows of resources related to OPEB from the sources noted below:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ -	\$ (2,519,943)	\$ (2,519,943)
Difference between projected and actual earnings, net.....	20,031	(123,208)	(103,177)
Changes in assumptions.....	5,082,211	(1,130,371)	3,951,840
Total deferred outflows/(inflows) of resources.....	\$ 5,102,242	\$ (3,773,522)	\$ 1,328,720

Contributions made subsequent to the measurement date will be recognized in OPEB expense in the subsequent fiscal year. Amounts reported as deferred outflows/(inflows) of resources related to OPEB being amortized will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	
2022.....	\$ (343,379)
2023.....	(299,354)
2024.....	(29,250)
2025.....	879,110
2026.....	824,700
Thereafter.....	<u>296,893</u>
Total deferred outflows/(inflows) of resources.....	\$ <u>1,328,720</u>

Changes in Assumptions:

- The discount rate has been changed from 4.50% to 4.25%.
- The mortality table has been updated from the RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 to the RP-2014 Mortality Table projected generationally with scale MP-2016 for males and females.
- Based on recent actuarial research, the Getzen model has been adopted for future projected healthcare costs.

Changes in Plan Provisions:

None.

NOTE 13 – CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2021, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2021.

NOTE 14 – COVID-19

On March 10, 2020, the Massachusetts Governor declared a state of emergency in response to the coronavirus outbreak. The World Health Organization officially declared the novel Coronavirus (COVID-19) a pandemic the following day. In an attempt to slow the spread of COVID-19, governments issued various stay at home orders that caused global economic shutdowns and substantial financial market impact. Starting in March 2020, the

Governor continued to issue orders allowing governments to operate and carry out essential functions safely. These included modifying the state’s Open Meeting Law, issuing a stay-at-home order, and introducing a phased approach to reopening State businesses. The Town is considered an essential business and although it was closed to the public for a period of time, departments remained operational and most employees continued to perform their daily duties.

A number of businesses have been forced to stop or significantly reduce operations decreasing, the Town’s portion of certain revenue. The Town has also incurred unanticipated costs specifically related to the pandemic. On March 27, 2020 the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment from these funds be used only to cover expenses that; are necessary expenditures incurred due to the public health emergency with respect COVID-19; were not accounted for in the budget most recently approved as of March 27, 2020; and were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020. The Commonwealth and communities throughout the Commonwealth were awarded a portion of this federal funding. In addition to funding from the CARES Act, there are several other federal and state grants available.

The full extent of the financial impact cannot be determined as of the date of the financial statements.

NOTE 15 – RESTATEMENT OF NET POSITION AND FUND BALANCE

During the fiscal year, the Town implemented GASB Statement #84 which required previously reported Agency Funds to be reclassified to the governmental funds. The table below identifies the effect of implementation of this statement.

	06/30/2020 Previously Reported Balances	Implementation of GASB #84	06/30/2020 Revised Balances
Government-Wide Financial Statements			
Governmental activities.....	\$ (6,614,758)	\$ 102,004	\$ (6,512,754)
Governmental Funds Financial Statements			
Non-major governmental funds.....	\$ 1,281,518	\$ 102,004	\$ 1,383,522

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 31, 2022, which is the date the financial statements were available to be issued.

NOTE 17 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2021, the following GASB pronouncements were implemented:

- GASB Statement #84, *Fiduciary Activities*, which is required to be implemented in 2021. All prior year balances, previously reported as a fiduciary activity within the agency funds, have been reclassified to a non-major governmental special revenue fund.
- GASB Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*. The implementation of this pronouncement did not impact the basic financial statements.
- GASB Statement #98, *The Annual Comprehensive Financial Report*. The implementation of this pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2022.
- The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2022.
- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2023.
- The GASB issued Statement #92, *Omnibus 2020*, which is required to be implemented in 2022.
- The GASB issued Statement #93, *Replacement of Interbank Offered Rates*, which is required to be implemented in 2022.
- The GASB issued Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #96, *Subscription-Based Information Technology Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #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*, which is required to be implemented in 2022.

Management is currently assessing the impact the implementation of these pronouncements will have on the basic financial statements.

Required Supplementary Information

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 15,623,609	\$ 15,623,609	\$ 15,893,924	\$ -	\$ 270,315
Tax liens.....	-	-	347,732	-	347,732
Motor vehicle and other excise taxes.....	951,800	951,800	1,116,802	-	165,002
Meals tax.....	100,000	100,000	131,778	-	31,778
Charges for services.....	620,000	620,000	627,889	-	7,889
Penalties and interest on taxes.....	80,000	80,000	168,799	-	88,799
Fees and rentals.....	457,400	457,400	719,330	-	261,930
Payments in lieu of taxes.....	13,000	13,000	14,168	-	1,168
Licenses and permits.....	122,300	122,300	133,465	-	11,165
Fines and forfeitures.....	16,000	16,000	21,733	-	5,733
Intergovernmental - other.....	12,770,472	12,770,472	13,182,752	-	412,280
Departmental and other.....	80,000	80,000	87,205	-	7,205
Investment income.....	21,492	21,492	25,399	-	3,907
TOTAL REVENUES.....	30,856,073	30,856,073	32,470,976	-	1,614,903
EXPENDITURES:					
Current:					
General government.....	1,926,981	2,561,673	1,843,091	164,312	554,270
Public safety.....	3,743,295	3,891,576	3,472,530	258,502	160,544
Education.....	16,403,771	16,477,771	15,521,652	606,057	350,062
Public works.....	1,080,880	1,250,357	1,033,254	118,823	98,280
Health and human services.....	705,541	735,271	630,215	10,450	94,606
Culture and recreation.....	374,615	521,215	351,756	148,000	21,459
Pension benefits.....	2,239,747	2,239,747	2,199,234	-	40,513
Employee benefits.....	3,865,368	4,112,368	3,904,445	-	207,923
State and county charges.....	1,279,423	1,279,423	1,305,015	-	(25,592)
Debt service:					
Principal.....	679,900	769,388	726,344	-	43,044
Interest.....	223,483	223,483	124,489	-	98,994
TOTAL EXPENDITURES.....	32,523,004	34,062,272	31,112,025	1,306,144	1,644,103
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(1,666,931)	(3,206,199)	1,358,951	(1,306,144)	3,259,006
OTHER FINANCING SOURCES (USES):					
Use of prior year reserves.....	935,137	935,137	-	-	(935,137)
Use of free cash.....	495,000	1,809,629	-	-	(1,809,629)
Use of overlay.....	-	109,971	-	-	(109,971)
Transfers in.....	614,717	803,397	675,580	-	(127,817)
Transfers out.....	(377,923)	(451,935)	(440,934)	-	11,001
TOTAL OTHER FINANCING SOURCES (USES).....	1,666,931	3,206,199	234,646	-	(2,971,553)
NET CHANGE IN FUND BALANCE.....	-	-	1,593,597	(1,306,144)	287,453
BUDGETARY FUND BALANCE, Beginning of year.....	3,839,520	3,839,520	3,839,520	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 3,839,520	\$ 3,839,520	\$ 5,433,117	\$ (1,306,144)	\$ 287,453

Pension Plan Schedules

The Schedule of the Town's Proportionate Share of the Net Pension Liability presents multi-year trend information on the Town's net pension liability and related ratios.

The Schedule of the Contributions presents multi-year trend information on the Town's required and actual contributions to the pension plan and related ratios.

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts Teachers Contributory Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the Town along with related ratios.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF THE TOWN'S NET PENSION LIABILITY
OF THE NET PENSION LIABILITY
HAMPSHIRE COUNTY RETIREMENT SYSTEM**

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2020.....	8.58%	\$ 15,316,447	\$ 7,237,399	211.63%	69.20%
December 31, 2019.....	8.11%	16,195,260	6,925,481	233.85%	64.20%
December 31, 2018.....	8.41%	18,135,674	7,083,554	256.03%	58.91%
December 31, 2017.....	8.48%	15,746,105	6,508,174	241.94%	63.15%
December 31, 2016.....	8.43%	18,532,222	6,679,940	277.43%	55.61%
December 31, 2015.....	8.30%	17,242,205	7,058,713	244.27%	55.29%
December 31, 2014.....	8.58%	16,009,733	6,620,284	241.83%	58.07%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF THE TOWN'S CONTRIBUTIONS
HAMPSHIRE COUNTY RETIREMENT SYSTEM

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2021.....	\$ 2,239,747	\$ (2,239,747)	-	\$ 7,382,147	30.34%
June 30, 2020.....	1,969,540	(1,969,540)	-	7,063,991	27.88%
June 30, 2019.....	1,900,394	(1,900,394)	-	7,225,225	26.30%
June 30, 2018.....	1,808,411	(1,808,411)	-	6,638,337	27.24%
June 30, 2017.....	1,660,342	(1,660,342)	-	6,813,539	24.37%
June 30, 2016.....	1,546,510	(1,546,510)	-	7,199,887	21.48%
June 30, 2015.....	1,498,054	(1,498,054)	-	6,752,690	22.18%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE SPECIAL FUNDING AMOUNTS
OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM**

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Therefore, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the associated collective net pension liability; the portion of the collective pension expense as both a revenue and pension expense recognized; and the Plan's fiduciary net position as a percentage of the total liability.

Year	Commonwealth's 100% Share of the Associated Net Pension Liability	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2021.....	\$ 30,438,686	\$ 3,759,614	50.67%
2020.....	26,344,116	3,194,681	53.95%
2019.....	24,625,293	2,495,417	54.84%
2018.....	24,143,065	2,519,882	54.25%
2017.....	24,301,334	2,478,895	52.73%
2016.....	22,364,899	1,813,992	55.38%
2015.....	18,228,785	1,266,441	61.64%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

Other Postemployment Benefits Plan Schedules

The Schedule of Changes in the Town's Net Other Postemployment Benefit Liability presents multi-year trend information on the Plan's net other postemployment benefit liability and related ratios.

The Schedule of the Town's Contributions presents multi-year trend information on the Town's actual contributions to the other postemployment benefit plan and related ratios.

The Schedule of Investment Return presents multi-year trend information on the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF CHANGES IN THE
TOWN'S NET OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Total OPEB Liability					
Service Cost.....	\$ 744,842	\$ 743,021	\$ 569,962	\$ 646,923	\$ 679,147
Interest.....	994,420	1,095,173	1,155,397	899,882	912,478
Differences between expected and actual experience.....	-	(881,657)	(4,606,275)	(43,265)	(293,537)
Changes of assumptions.....	-	-	(1,780,489)	629,722	5,538,630
Benefit payments.....	<u>(781,746)</u>	<u>(815,878)</u>	<u>(777,151)</u>	<u>(812,884)</u>	<u>(853,272)</u>
Net change in total OPEB liability.....	957,516	140,659	(5,438,556)	1,320,378	5,983,446
Total OPEB liability - beginning.....	<u>23,040,078</u>	<u>23,997,594</u>	<u>24,138,253</u>	<u>18,699,697</u>	<u>20,020,075</u>
Total OPEB liability - ending (a).....	<u>\$ 23,997,594</u>	<u>\$ 24,138,253</u>	<u>\$ 18,699,697</u>	<u>\$ 20,020,075</u>	<u>\$ 26,003,521</u>
Plan fiduciary net position					
Employer contributions for OPEB payments.....	\$ 895,996	\$ 989,238	\$ 935,093	\$ 960,544	\$ 1,098,272
Net investment income.....	16,115	17,224	31,618	29,698	215,588
Benefit payments.....	<u>(781,746)</u>	<u>(815,878)</u>	<u>(777,151)</u>	<u>(812,884)</u>	<u>(853,272)</u>
Net change in plan fiduciary net position.....	130,365	190,584	189,560	177,358	460,588
Plan fiduciary net position - beginning of year.....	<u>221,151</u>	<u>351,516</u>	<u>542,100</u>	<u>731,660</u>	<u>909,018</u>
Plan fiduciary net position - end of year (b).....	<u>\$ 351,516</u>	<u>\$ 542,100</u>	<u>\$ 731,660</u>	<u>\$ 909,018</u>	<u>\$ 1,369,606</u>
Net OPEB liability - ending (a)-(b).....	<u>\$ 23,646,078</u>	<u>\$ 23,596,153</u>	<u>\$ 17,968,037</u>	<u>\$ 19,111,057</u>	<u>\$ 24,633,915</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	1.46%	2.25%	3.91%	4.54%	5.27%
Covered-employee payroll.....	\$ 13,391,060	\$ 14,162,328	\$ 14,137,511	\$ 14,561,636	\$ 15,091,356
Net OPEB liability as a percentage of covered-employee payroll.....	176.58%	166.61%	127.09%	131.24%	163.23%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for
which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

<u>Year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered- employee payroll</u>	<u>Contributions as a percentage of covered- employee payroll</u>
June 30, 2021.....	\$ 1,651,918	\$ (1,098,272)	\$ 553,646	\$ 15,091,356	7.28%
June 30, 2020.....	1,769,657	(960,544)	809,113	14,561,636	6.60%
June 30, 2019.....	1,654,210	(935,093)	719,117	14,137,511	6.61%
June 30, 2018.....	2,129,245	(989,238)	1,140,007	14,162,328	6.98%
June 30, 2017.....	2,049,403	(895,996)	1,153,407	13,391,060	6.69%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2021.....	22.32%
June 30, 2020.....	3.99%
June 30, 2019.....	5.57%
June 30, 2018.....	4.71%
June 30, 2017.....	7.00%

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Municipal Law requires the adoption of a balanced budget that is approved by Town Meeting. The Board of Selectmen presents an annual budget to the Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Increases or transfers between and within departments subsequent to the approval of the annual budget require majority Town Meeting approval via a supplemental appropriation. The majority of appropriations are non-continuing which lapse at the end of each year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current year. These carry forwards are included as part of the subsequent year’s original budget.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by two-thirds majority vote of the Town Meeting.

The Town adopts an annual budget for the general fund in conformity with the guidelines described above. The 2021 final budget includes approximately \$34.5 million in authorized appropriations and other amounts to be raised. The Town Accountant’s Office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the Town’s accounting system.

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2021, is presented below:

Net change in fund balance - budgetary basis.....	\$ 1,593,597
<u>Perspective differences:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	312,811
Issuance of long term debt recorded in the capital project funds for GAAP.....	(571,071)
<u>Basis of accounting differences:</u>	
Net change in recording tax refunds payable.....	21,400
Net change in recording revenue.....	(105,314)
Net change in recording accrued intergovernmental aid.....	(102,013)
Recognition of revenue for on-behalf payments.....	3,759,614
Recognition of expenditures for on-behalf payments.....	<u>(3,759,614)</u>
Net change in fund balance - GAAP basis.....	<u>\$ 1,149,410</u>

C. Appropriation Deficit

Expenditures exceeded budgeted appropriations for state and county charges. The Town is not required to raise these deficits.

NOTE B – PENSION PLAN***Pension Plan Schedules***A. Schedule of the Town's Proportionate Share of the Net Pension Liability

The Schedule of the Town's Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability (asset), the proportionate share of the net pension liability, and the covered employee payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

B. Schedule of the Town's Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. The Town may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the Town based on covered payroll.

C. Schedule of the Special Funding Amounts of the Net Pension Liabilities

The Commonwealth of Massachusetts is a non-employer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Town's; the portion of the collective pension expense as both a revenue and pension expense recognized by the Town; and the Plan's fiduciary net position as a percentage of the total liability.

Changes in Assumptions:

None.

Changes in Plan Provisions:

None.

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

The Town administers a single-employer defined benefit healthcare plan (Plan). The Plan provides lifetime healthcare and life insurance for eligible retirees and their spouses through the Town's health insurance plan, which covers both active and retired members, including teachers.

The Other Postemployment Benefit Plan

The Schedule of Changes in the Town’s Net Other Postemployment Benefit Liability and Related Ratios

The Schedule of Changes in the Town’s Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan’s total OPEB liability, changes in the Plan’s net position, and ending net OPEB liability. It also demonstrates the Plan’s net position as a percentage of the total liability and the Plan’s net other postemployment benefit liability as a percentage of covered employee payroll.

Schedule of the Town’s Contributions

The Schedule of the Town’s Contributions includes the Town’s annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered employee payroll. The Town is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered employee payroll. The actuarially determined contribution rate is calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported. Methods and assumptions used to determine contribution rates are as follows:

Valuation date.....	July 1, 2020.
Actuarial cost method.....	Entry Age Normal Cost Method.
Asset valuation method.....	Fair value of assets as of the Measurement Date, June 30, 2021.
Investment rate of return.....	5.98%, net of plan investment expense, including inflation.
Discount rate.....	4.25% per year, net of investment expenses.
Inflation rate.....	2.50% per year.
Mortality rates:	
Actives.....	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females. Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females.
Retirees.....	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females. Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.
Disabled.....	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year. Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.

Schedule of Investment Return

The Schedule of Investment Return includes the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

Changes in Assumptions –

- The discount rate has been changed from 4.50% to 4.25%.
- The mortality table has been updated from the RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 to the RP-2014 Mortality Table projected generationally with scale MP-2016 for males and females.
- Based on recent actuarial research, the Getzen model has been adopted for future projected healthcare costs.

Changes in Plan Provisions – None.