



TOWN OF MILLIS, MASSACHUSETTS

Financial Statements
For the Year Ended June 30, 2021

(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

To the Select Board
Town of Millis, 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 Millis, Massachusetts (the Town), as of and for the year ended June 30, 2021, and the related notes to financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town'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 Town's internal control. Accordingly,

Merrimack, New Hampshire
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Greenfield, Massachusetts
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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 Millis, 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.

Emphasis of Matter

As discussed in Note 25 to the financial statements, in fiscal year 2021 the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the budgetary comparison for the general fund, and certain pension and OPEB schedules 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 evidence sufficient 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 April 26, 2022 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant



agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Melanson".

Andover, Massachusetts
April 26, 2022



MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all assets, liabilities, and deferred outflows/inflows of resources with the difference 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 Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions 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, intergovernmental, and interest on long-term debt. The business-type activities include water, sewer, and stormwater activities.

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 financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. The proprietary fund category includes enterprise funds.

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met: (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, and (3) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs such as depreciation or debt service. The primary focus on these criteria is on fees charged to external users. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. Specifically, enterprise funds are used to account for water, sewer, and stormwater operations.

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 statements 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 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.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

Financial Highlights

- As of the close of the current fiscal year, net position in governmental activities was \$9,022,315, a change of \$(1,318,094), and net position in business-type activities was \$12,330,669, a change of \$(165,678).
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$12,499,365, a change of \$2,275,191 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,268,389, a change of \$1,300,273 in comparison to the prior year.

Government-Wide Financial Analysis

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

	NET POSITION (in thousands)					
	Governmental Activities		Business-Type Activities		Total	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Assets						
Current and other assets	\$ 15,777	\$ 15,864	\$ 4,015	\$ 4,241	\$ 19,792	\$ 20,105
Capital assets	<u>91,930</u>	<u>91,109</u>	<u>14,221</u>	<u>14,653</u>	<u>106,151</u>	<u>105,762</u>
Total assets	107,707	106,973	18,236	18,894	125,943	125,867
Deferred outflows of resources	17,078	6,148	427	134	17,505	6,282
Liabilities						
Other liabilities	2,244	4,695	24	56	2,268	4,751
Long-term liabilities	<u>108,634</u>	<u>92,432</u>	<u>6,189</u>	<u>6,353</u>	<u>114,823</u>	<u>98,785</u>
Total liabilities	110,878	97,127	6,213	6,409	117,091	103,536
Deferred inflows of resources	4,885	5,654	119	123	5,004	5,777
Net Position						
Net investment in capital assets	50,230	50,604	9,880	9,653	60,110	60,257
Restricted	4,212	3,843	-	-	4,212	3,843
Unrestricted	<u>(45,420)</u>	<u>(44,107)</u>	<u>2,451</u>	<u>2,843</u>	<u>(42,969)</u>	<u>(41,264)</u>
Total net position	\$ <u>9,022</u>	\$ <u>10,340</u>	\$ <u>12,331</u>	\$ <u>12,496</u>	\$ <u>21,353</u>	\$ <u>22,836</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$21,352,984, a change of \$(1,483,772) in comparison to the prior year.

The largest portion of net position \$60,110,480 reflects our investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$4,211,900 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit of \$(42,969,396) primarily resulting from unfunded pension and OPEB liabilities.

CHANGES IN NET POSITION (in thousands)

	Governmental <u>Activities</u>		Business-Type <u>Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues						
Program revenues:						
Charges for services	\$ 3,097	\$ 3,113	\$ 4,137	\$ 4,080	\$ 7,234	\$ 7,193
Operating grants and contributions	13,902	12,075	-	-	13,902	12,075
Capital grants and contributions	212	2,252	-	-	212	2,252
General revenues:						
Property taxes	27,462	25,899	-	-	27,462	25,899
Excises	1,861	1,596	-	-	1,861	1,596
Penalties, interest and other taxes	188	134	-	-	188	134
Grants and contributions not restricted to specific programs	-	1,112	-	-	-	1,112
Investment income	58	110	13	14	71	124
Miscellaneous	555	1,059	-	-	555	1,059
Total revenues	<u>47,335</u>	<u>47,350</u>	<u>4,150</u>	<u>4,094</u>	<u>51,485</u>	<u>51,444</u>
Expenses						
General government	3,722	3,419	-	-	3,722	3,419
Public safety	6,795	6,511	-	-	6,795	6,511
Education	33,461	30,278	-	-	33,461	30,278
Public works	2,245	2,613	-	-	2,245	2,613
Health and human services	377	389	-	-	377	389
Culture and recreation	776	867	-	-	776	867
Intergovernmental	474	419	-	-	474	419
Interest on long-term debt	1,534	2,640	-	-	1,534	2,640
Water services	-	-	1,976	1,599	1,976	1,599
Sewer services	-	-	1,436	1,475	1,436	1,475
Stormwater	-	-	172	460	172	460
Total expenses	<u>49,384</u>	<u>47,136</u>	<u>3,584</u>	<u>3,534</u>	<u>52,968</u>	<u>50,670</u>
Change in net position before transfers	(2,049)	214	566	560	(1,483)	774
Transfers in (out)	<u>731</u>	<u>66</u>	<u>(731)</u>	<u>(66)</u>	<u>-</u>	<u>-</u>
Change in net position	(1,318)	280	(165)	494	(1,483)	774
Net position - beginning of year	<u>10,340</u>	<u>10,060</u>	<u>12,496</u>	<u>12,002</u>	<u>22,836</u>	<u>22,062</u>
Net position - end of year	<u>\$ 9,022</u>	<u>\$ 10,340</u>	<u>\$ 12,331</u>	<u>\$ 12,496</u>	<u>\$ 21,353</u>	<u>\$ 22,836</u>

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$(1,318,094). Key elements of this change are as follows:

Governmental funds change in fund balance	\$ 2,275,191
Change in pension expense from GASB 68	(3,529,196)
Other	<u>(64,089)</u>
Total	\$ <u>(1,318,094)</u>

Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$(165,678). Key elements of this change are as follows:

Water fund change in net position	\$ (204,941)
Sewer fund change in net position	(346,375)
Nonmajor stormwater fund change in net position	<u>385,638</u>
Total	\$ <u>(165,678)</u>

Financial Analysis of the Town's Funds

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

General Fund

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,268,389 while total fund balance was \$5,873,546. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/21</u>	<u>6/30/20</u>	<u>Change</u>	% of General Fund Expenditures*
Unassigned fund balance	\$ 4,268,389	\$ 2,968,116	\$ 1,300,273	11.1%
Total fund balance	\$ 5,873,546	\$ 4,828,352	\$ 1,045,194	16.2%

* Expenditure amounts used to calculate the above percentages have been adjusted to exclude the on-behalf payment from the Commonwealth to the Massachusetts Teachers Retirement System of \$2,266,563.

The total fund balance of the general fund changed by \$1,045,194 during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 1,656,552
Expenditures in excess of budget	(9,936)
Use of fund balance	(1,247,245)
Change in stabilization	46,184
Other	<u>599,639</u>
Total	<u>\$ 1,045,194</u>

Included in the total general fund balance is the Town's stabilization accounts with the following balances:

	<u>6/30/21</u>	<u>6/30/20</u>	<u>Change</u>
General operating stabilization	\$ 1,852,596	\$ 1,806,423	\$ 46,173
Stabilization - Oak Grove farmhouse	<u>2,074</u>	<u>2,063</u>	<u>11</u>
Total	<u>\$ 1,854,670</u>	<u>\$ 1,808,486</u>	<u>\$ 46,184</u>

Major DPW Facilities Fund

The major DPW facilities fund balance changed by \$2,977,009 primarily resulting from differences between the expenditures on the project and the permanent financing of the capital project.

Nonmajor Governmental Funds

The fund balance of nonmajor governmental funds changed by \$(1,747,012) primarily from timing differences between the receipt and disbursement of grants and permanent financing of capital projects.

Proprietary Funds

Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$2,450,644 a change of \$(392,328) in comparison to the prior year.

The Nonmajor Stormwater Fund shows a credit balance expense for salaries and benefits of \$(68,258). This is due o the fiscal year 2021 OPEB expense. In fiscal year 2021 the number of full time employees at the Stormwater Department dropped from 4 to 2 employees. This was the primary reason for the Stormwaters decrease in the net OPEB liability. Unlike other impacts to the total OPEB liability the change was reflected in OPEB expense in the year in which it occurred. The accounting treatment is consistent with GASB 75.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final budget resulted in an overall change in appropriations of \$573 funded by free cash for fiscal year 2021 unpaid bills for various departments.

Excise revenue had a favorable variance of \$832,665 and charges for services revenue had a favorable variance of \$544,933, both primarily resulting from cannabis excise and cannabis impact fee revenue that were budgeted conservatively following Department of Revenue guidelines.

Capital Asset and Debt Administration

Capital Assets

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$106,151,183 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery, equipment, furnishings, and vehicles, and infrastructure. Major capital asset events during the current fiscal year included the following:

- \$1,174,183 for various buildings and building improvements.
- \$270,650 for various machinery, equipment, and vehicles.
- \$260,841 for various infrastructure.
- \$1,652,957 of construction in progress for the DPW Facility project.
- \$(2,913,908) of depreciation expense.

Additional information on capital assets can be found in the Notes to Financial Statements.

Long-Term Debt

At the end of the current fiscal year, total bonded debt and long-term notes outstanding, including unamortized bond premiums, was \$47,945,906, all of which was backed by the full faith and credit of the government.

The Town maintained their Aa3 rating from Moody's for general obligation debt.

Additional information on long-term debt can be found in the Notes to Financial Statements.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Finance Director
Town of Millis, Massachusetts
900 Main Street
Millis, Massachusetts 02054

TOWN OF MILLIS, MASSACHUSETTS

Statement of Net Position

June 30, 2021

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and short-term investments	\$ 12,311,049	\$ 2,695,362	\$ 15,006,411
Investments	1,830,548	-	1,830,548
Receivables, net of allowance for uncollectibles:			
Property taxes	623,380	-	623,380
Excises	116,789	-	116,789
User fees	-	1,143,266	1,143,266
Departmental and other	280,720	-	280,720
Intergovernmental	36,282	-	36,282
Betterments	-	55,248	55,248
Total Current Assets	15,198,768	3,893,876	19,092,644
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	500,559	-	500,559
Betterments	-	121,033	121,033
Other	77,507	-	77,507
Capital assets:			
Nondepreciable capital assets	5,091,518	1,375,503	6,467,021
Other capital assets, net of accumulated depreciation	86,839,068	12,845,094	99,684,162
Total Noncurrent Assets	92,508,652	14,341,630	106,850,282
Total Assets	107,707,420	18,235,506	125,942,926
Deferred Outflows of Resources			
Related to pensions	692,373	14,996	707,369
Related to OPEB	16,385,556	412,259	16,797,815
Total Deferred Outflows of Resources	17,077,929	427,255	17,505,184

(continued)

The accompanying notes are an integral part of these financial statements.

TOWN OF MILLIS, MASSACHUSETTS

Statement of Net Position
June 30, 2021

(continued)	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Liabilities			
Current:			
Accounts payable	\$ 184,848	\$ 23,967	\$ 208,815
Accrued liabilities	893,277	-	893,277
Unearned revenue	237,570	-	237,570
Notes payable	826,806	-	826,806
Other current liabilities	101,805	-	101,805
Current portion of long-term liabilities:			
Bonds payable	2,360,994	570,000	2,930,994
Landfill liability	11,159	-	11,159
Compensated absences	32,255	-	32,255
Capital leases	<u>173,202</u>	<u>-</u>	<u>173,202</u>
Total Current Liabilities	4,821,916	593,967	5,415,883
Noncurrent:			
Bonds payable, net of current portion	40,969,912	4,045,000	45,014,912
Net pension liability	12,156,715	263,304	12,420,019
Net OPEB liability	52,110,773	1,311,103	53,421,876
Landfill liability, net of current portion	60,123	-	60,123
Compensated absences, net of current portion	612,829	-	612,829
Capital leases, net of current portion	<u>145,747</u>	<u>-</u>	<u>145,747</u>
Total Noncurrent Liabilities	<u>106,056,099</u>	<u>5,619,407</u>	<u>111,675,506</u>
Total Liabilities	110,878,015	6,213,374	117,091,389
Deferred Inflows of Resources			
Related to pensions	1,196,610	25,918	1,222,528
Related to OPEB	<u>3,688,409</u>	<u>92,800</u>	<u>3,781,209</u>
Total Deferred Inflows of Resources	<u>4,885,019</u>	<u>118,718</u>	<u>5,003,737</u>
Net Position			
Net investment in capital assets	50,230,455	9,880,025	60,110,480
Restricted for:			
Grants and other statutory restrictions	3,969,506	-	3,969,506
Permanent funds:			
Nonexpendable	193,116	-	193,116
Expendable	49,278	-	49,278
Unrestricted	<u>(45,420,040)</u>	<u>2,450,644</u>	<u>(42,969,396)</u>
Total Net Position	<u>\$ 9,022,315</u>	<u>\$ 12,330,669</u>	<u>\$ 21,352,984</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MILLIS, MASSACHUSETTS

Statement of Activities
For the Year Ended June 30, 2021

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities					
General government	\$ 3,722,090	\$ 1,280,335	\$ 1,819,464	\$ -	\$ (622,291)
Public safety	6,794,855	1,021,315	159,110	-	(5,614,430)
Education	33,461,515	342,896	11,797,872	-	(21,320,747)
Public works	2,245,229	316,587	4,550	212,117	(1,711,975)
Health and human services	376,581	38,271	99,647	-	(238,663)
Culture and recreation	776,179	97,285	21,508	-	(657,386)
Intergovernmental	474,425	-	-	-	(474,425)
Interest on long-term debt	<u>1,534,393</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,534,393)</u>
Total Governmental Activities	49,385,267	3,096,689	13,902,151	212,117	(32,174,310)
Business-Type Activities					
Water services	1,975,963	2,010,053	-	-	34,090
Sewer services	1,436,048	1,442,067	-	-	6,019
Stormwater services	<u>172,312</u>	<u>685,097</u>	<u>-</u>	<u>-</u>	<u>512,785</u>
Total Business-Type Activities	<u>3,584,323</u>	<u>4,137,217</u>	<u>-</u>	<u>-</u>	<u>552,894</u>
Total	<u>\$ 52,969,590</u>	<u>\$ 7,233,906</u>	<u>\$ 13,902,151</u>	<u>\$ 212,117</u>	<u>\$ (31,621,416)</u>

(continued)

The accompanying notes are an integral part of these financial statements.

TOWN OF MILLIS, MASSACHUSETTS

Statement of Activities
For the Year Ended June 30, 2021

(continued)

	Governmental <u>Activities</u>	Business- Type <u>Activities</u>	<u>Total</u>
Changes in Net Position:			
Net (expenses) revenue from previous page	\$ (32,174,310)	\$ 552,894	\$ (31,621,416)
General Revenues and Transfers			
Property taxes	27,461,903	-	27,461,903
Excises	1,861,477	-	1,861,477
Penalties, interest and other taxes	188,480	-	188,480
Investment income	57,679	12,665	70,344
Miscellaneous	555,440	-	555,440
Transfers, net	<u>731,237</u>	<u>(731,237)</u>	<u>-</u>
Total general revenues and transfers	<u>30,856,216</u>	<u>(718,572)</u>	<u>30,137,644</u>
Change in Net Position	(1,318,094)	(165,678)	(1,483,772)
Net Position			
Beginning of year	<u>10,340,409</u>	<u>12,496,347</u>	<u>22,836,756</u>
End of year	<u>\$ 9,022,315</u>	<u>\$ 12,330,669</u>	<u>\$ 21,352,984</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MILLIS, MASSACHUSETTS

Governmental Funds
Balance Sheet
June 30, 2021

	<u>General</u> <u>Fund</u>	<u>DPW</u> <u>Facilities</u> <u>Fund</u>	<u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Assets				
Cash and short-term investments	\$ 4,602,392	\$ 2,649,160	\$ 5,059,497	\$ 12,311,049
Investments	1,830,548	-	-	1,830,548
Receivables:				
Property taxes	1,340,646	-	3,293	1,343,939
Excises	220,789	-	-	220,789
Departmental and other	-	-	349,720	349,720
Intergovernmental	-	-	36,282	36,282
Total Assets	<u>\$ 7,994,375</u>	<u>\$ 2,649,160</u>	<u>\$ 5,448,792</u>	<u>\$ 16,092,327</u>
Liabilities				
Accounts payable	\$ 130,104	\$ -	\$ 54,744	\$ 184,848
Accrued liabilities	549,198	-	-	549,198
Unearned revenue	-	-	237,570	237,570
Notes payable	-	-	826,806	826,806
Other current liabilities	101,805	-	-	101,805
Total Liabilities	781,107	-	1,119,120	1,900,227
Deferred Inflows of Resources				
Unavailable revenues	1,339,722	-	353,013	1,692,735
Fund Balances				
Nonspendable	-	-	193,116	193,116
Restricted	839,678	2,649,160	4,930,033	8,418,871
Committed	214,190	-	-	214,190
Assigned	551,289	-	-	551,289
Unassigned	4,268,389	-	(1,146,490)	3,121,899
Total Fund Balances	<u>5,873,546</u>	<u>2,649,160</u>	<u>3,976,659</u>	<u>12,499,365</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 7,994,375</u>	<u>\$ 2,649,160</u>	<u>\$ 5,448,792</u>	<u>\$ 16,092,327</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MILLIS, MASSACHUSETTS

Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
in the Statement of Net Position
June 30, 2021

Total governmental fund balances	\$ 12,499,365
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	91,930,586
Deferred outflows of resources related to pensions to be recognized in pension expense in future periods.	692,373
Deferred outflows of resources related to OPEB to be recognized in OPEB expense in future periods.	16,385,556
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,692,735
In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(344,082)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds and loans payable	(43,330,906)
Net pension liability	(12,156,715)
Net OPEB liability	(52,110,773)
Landfill liability	(71,282)
Compensated absences	(645,084)
Capital leases	(318,949)
Deferred inflows of resources related to pensions to be recognized in pension expense in future periods.	(1,196,610)
Deferred inflows of resources related to OPEB to be recognized in OPEB expense in future periods.	(3,688,409)
Other	<u>(315,490)</u>
Net position of governmental activities	\$ <u>9,022,315</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MILLIS, MASSACHUSETTS

Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2021

	General <u>Fund</u>	DPW Facilities <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues				
Property taxes	\$ 27,270,987	\$ -	\$ 206,215	\$ 27,477,202
Excises	1,886,421	-	-	1,886,421
Penalties, interest and other taxes	192,958	-	773	193,731
Charges for services	718,533	-	1,702,818	2,421,351
Intergovernmental	8,294,522	-	2,942,078	11,236,600
Licenses and permits	599,365	-	-	599,365
Fines and forfeitures	3,763	-	-	3,763
Investment income	49,821	-	7,858	57,679
Miscellaneous	<u>210,568</u>	<u>-</u>	<u>174,221</u>	<u>384,789</u>
Total Revenues	39,226,938	-	5,033,963	44,260,901
Expenditures				
Current:				
General government	1,784,198	-	1,221,653	3,005,851
Public safety	4,826,748	-	793,946	5,620,694
Education	20,166,781	-	2,184,398	22,351,179
Public works	1,153,742	-	396,920	1,550,662
Health and human services	288,633	-	42,932	331,565
Culture and recreation	467,186	-	101,191	568,377
Employee benefits	5,569,992	-	-	5,569,992
Debt service:				
Principal	2,092,000	-	25,000	2,117,000
Interest	1,681,004	-	11,075	1,692,079
Intergovernmental	474,425	-	-	474,425
Capital outlay	<u>-</u>	<u>1,658,879</u>	<u>1,894,286</u>	<u>3,553,165</u>
Total Expenditures	<u>38,504,709</u>	<u>1,658,879</u>	<u>6,671,401</u>	<u>46,834,989</u>
Excess (deficiency) of revenues over expenditures	722,229	(1,658,879)	(1,637,438)	(2,574,088)
Other Financing Sources (Uses)				
Bond proceeds	-	3,835,000	-	3,835,000
Bond premium	-	165,000	-	165,000
Issuance of capital lease	118,042	-	-	118,042
Transfers in	434,718	635,888	447,617	1,518,223
Transfers out	<u>(229,795)</u>	<u>-</u>	<u>(557,191)</u>	<u>(786,986)</u>
Total Other Financing Sources (Uses)	<u>322,965</u>	<u>4,635,888</u>	<u>(109,574)</u>	<u>4,849,279</u>
Change in fund balance	1,045,194	2,977,009	(1,747,012)	2,275,191
Fund Balance, at Beginning of Year, as reclassified	<u>4,828,352</u>	<u>(327,849)</u>	<u>5,723,671</u>	<u>10,224,174</u>
Fund Balance, at End of Year	<u>\$ 5,873,546</u>	<u>\$ 2,649,160</u>	<u>\$ 3,976,659</u>	<u>\$ 12,499,365</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MILLIS, MASSACHUSETTS

Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2021

Net changes in fund balances - total governmental funds	\$ 2,275,191
<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 purchases	3,303,820
Depreciation	(2,482,558)
<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, however, has any effect on net position.</p>	
Repayments of general obligation bonds	2,117,000
Issuance of general obligation bonds	(3,835,000)
Amortization of premium	100,994
Repayments of capital leases	179,102
Issuance of capital leases	(118,042)
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net unavailable revenue, net of change in allowance for doubtful accounts.</p>	
	(67,140)
<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>	
Change in net pension liability and related deferred outflows and inflows	615,039
Change in net OPEB liability and related deferred outflows and inflows	(3,529,196)
Change in landfill liability	10,887
Change in compensated absences	(44,392)
Other differences.	156,201
Changes in net position of governmental activities	\$ <u>(1,318,094)</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MILLIS, MASSACHUSETTS

Proprietary Funds
Statement of Net Position
June 30, 2021

	Business-Type Activities Enterprise Funds			Total
	Water Fund	Sewer Fund	Nonmajor Stormwater Fund	
Assets				
Current:				
Cash and short-term investments	\$ 1,294,371	\$ 805,618	\$ 595,373	\$ 2,695,362
User fees receivable	593,582	481,544	68,140	1,143,266
Betterment receivable	<u>-</u>	<u>55,248</u>	<u>-</u>	<u>55,248</u>
Total Current Assets	1,887,953	1,342,410	663,513	3,893,876
Noncurrent:				
Betterment receivable	-	121,033	-	121,033
Capital assets:				
Nondepreciable capital assets	1,375,503	-	-	1,375,503
Other capital assets, net of accumulated depreciation	<u>7,802,972</u>	<u>5,042,122</u>	<u>-</u>	<u>12,845,094</u>
Total Noncurrent Assets	<u>9,178,475</u>	<u>5,163,155</u>	<u>-</u>	<u>14,341,630</u>
Total Assets	11,066,428	6,505,565	663,513	18,235,506
Deferred Outflows of Resources				
Related to pensions	2,971	6,013	6,012	14,996
Related to OPEB	<u>193,693</u>	<u>168,817</u>	<u>49,749</u>	<u>412,259</u>
Total Deferred Outflows of Resources	196,664	174,830	55,761	427,255
Liabilities				
Current:				
Accounts payable	20,851	3,032	84	23,967
Current portion of long-term liabilities:				
Bonds payable	<u>395,000</u>	<u>175,000</u>	<u>-</u>	<u>570,000</u>
Total Current Liabilities	415,851	178,032	84	593,967
Noncurrent:				
Bonds payable, net of current portion	3,160,000	885,000	-	4,045,000
Net pension liability	52,164	105,570	105,570	263,304
Net OPEB liability	<u>615,998</u>	<u>536,888</u>	<u>158,217</u>	<u>1,311,103</u>
Total Noncurrent Liabilities	<u>3,828,162</u>	<u>1,527,458</u>	<u>263,787</u>	<u>5,619,407</u>
Total Liabilities	4,244,013	1,705,490	263,871	6,213,374
Deferred Inflows of Resources				
Related to pensions	5,135	10,391	10,392	25,918
Related to OPEB	<u>43,600</u>	<u>38,001</u>	<u>11,199</u>	<u>92,800</u>
Total Deferred Inflows of Resources	<u>48,735</u>	<u>48,392</u>	<u>21,591</u>	<u>118,718</u>
Net Position				
Net investment in capital assets	5,764,668	4,115,357	-	9,880,025
Unrestricted	<u>1,205,676</u>	<u>811,156</u>	<u>433,812</u>	<u>2,450,644</u>
Total Net Position	<u>\$ 6,970,344</u>	<u>\$ 4,926,513</u>	<u>\$ 433,812</u>	<u>\$ 12,330,669</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MILLIS, MASSACHUSETTS

Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2021

	Business-Type Activities Enterprise Funds			<u>Total</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Nonmajor Stormwater Fund</u>	
Operating Revenues				
Charges for services	\$ 1,956,959	\$ 1,424,446	\$ 682,738	\$ 4,064,143
Other	<u>53,094</u>	<u>17,621</u>	<u>2,359</u>	<u>73,074</u>
Total Operating Revenues	2,010,053	1,442,067	685,097	4,137,217
Operating Expenses				
Salaries and benefits	696,402	361,581	(68,258)	989,725
Other operating expenses	860,508	832,756	240,570	1,933,834
Depreciation	<u>241,614</u>	<u>189,736</u>	<u>-</u>	<u>431,350</u>
Total Operating Expenses	<u>1,798,524</u>	<u>1,384,073</u>	<u>172,312</u>	<u>3,354,909</u>
Operating Income	211,529	57,994	512,785	782,308
Nonoperating Revenues (Expenses)				
Interest income	10,127	2,538	-	12,665
Interest expense	<u>(177,439)</u>	<u>(51,975)</u>	<u>-</u>	<u>(229,414)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(167,312)</u>	<u>(49,437)</u>	<u>-</u>	<u>(216,749)</u>
Income Before Transfers	44,217	8,557	512,785	565,559
Transfers				
Transfers out	<u>(249,158)</u>	<u>(354,932)</u>	<u>(127,147)</u>	<u>(731,237)</u>
Change in Net Position	(204,941)	(346,375)	385,638	(165,678)
Net Position at Beginning of Year	<u>7,175,285</u>	<u>5,272,888</u>	<u>48,174</u>	<u>12,496,347</u>
Net Position at End of Year	<u>\$ 6,970,344</u>	<u>\$ 4,926,513</u>	<u>\$ 433,812</u>	<u>\$ 12,330,669</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MILLIS, MASSACHUSETTS

Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2021

	Business-Type Activities			
	Enterprise Funds		Enterprise Funds	
	Water Fund	Sewer Fund	Nonmajor Stormwater Fund	Total
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 2,038,295	\$ 1,508,888	\$ 693,756	\$ 4,240,939
Payments to employees	(389,548)	(273,674)	(130,238)	(793,460)
Payments to vendors	<u>(870,956)</u>	<u>(830,968)</u>	<u>(263,199)</u>	<u>(1,965,123)</u>
Net Cash Provided By Operating Activities	777,791	404,246	300,319	1,482,356
Cash Flows From Noncapital Financing Activities				
Transfer out	<u>(249,158)</u>	<u>(354,932)</u>	<u>(127,147)</u>	<u>(731,237)</u>
Net Cash (Used For) Noncapital Financing Activities	(249,158)	(354,932)	(127,147)	(731,237)
Cash Flows From Capital and Related Financing Activities				
Principal payments on long-term bonds	(418,000)	(240,000)	-	(658,000)
Interest expense	<u>(177,439)</u>	<u>(51,975)</u>	<u>-</u>	<u>(229,414)</u>
Net Cash (Used For) Capital and Related Financing Activities	(595,439)	(291,975)	-	(887,414)
Cash Flows From Investing Activities				
Investment income	<u>10,127</u>	<u>2,538</u>	<u>-</u>	<u>12,665</u>
Net Cash Provided By Investing Activities	10,127	2,538	-	12,665
Net Change in Cash and Short-Term Investments	(56,679)	(240,123)	173,172	(123,630)
Cash and Short-Term Investments, Beginning of Year	<u>1,351,050</u>	<u>1,045,741</u>	<u>422,201</u>	<u>2,818,992</u>
Cash and Short-Term Investments, End of Year	\$ <u>1,294,371</u>	\$ <u>805,618</u>	\$ <u>595,373</u>	\$ <u>2,695,362</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income	\$ 211,529	\$ 57,994	\$ 512,785	\$ 782,308
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	241,614	189,736	-	431,350
Changes in assets, liabilities, and deferred outflows/inflows:				
User fees receivable	28,242	(618)	8,659	36,283
Betterments receivable	-	67,439	-	67,439
Deferred outflows - related to pensions	3,314	6,707	6,708	16,729
Deferred outflows - related to OPEB	(173,278)	(127,987)	(8,919)	(310,184)
Accounts payable	(10,448)	1,787	(22,629)	(31,290)
Net pension liability	(7,700)	(15,583)	(15,583)	(38,866)
Net OPEB liability	460,374	225,641	(153,030)	532,985
Deferred inflows - related to pensions	1,747	3,535	3,535	8,817
Deferred inflows - related to OPEB	<u>22,397</u>	<u>(4,405)</u>	<u>(31,207)</u>	<u>(13,215)</u>
Net Cash Provided By Operating Activities	\$ <u>777,791</u>	\$ <u>404,246</u>	\$ <u>300,319</u>	\$ <u>1,482,356</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MILLIS, MASSACHUSETTS

Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2021

	Other Post Employment Benefits <u>Fund</u>	Private Purpose Trust <u>Funds</u>	Custodial <u>Funds</u>
Assets			
Cash	\$ 1,066	\$ 93,981	\$ 69,567
Investments:			
Corporate equities	155,738	-	-
Fixed income mutual funds	<u>65,234</u>	<u>-</u>	<u>-</u>
Total Investments	<u>220,972</u>	<u>-</u>	<u>-</u>
Total Assets	222,038	93,981	69,567
 Liabilities			
Other liabilities	<u>-</u>	<u>-</u>	<u>878</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>878</u>
 Net Position			
Restricted for OPEB purposes	222,038	-	-
Restricted for individuals and organizations	<u>-</u>	<u>93,981</u>	<u>68,689</u>
Total Net Position	<u>\$ 222,038</u>	<u>\$ 93,981</u>	<u>\$ 68,689</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MILLIS, MASSACHUSETTS

Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2021

	Other Post Employment Benefit <u>Fund</u>	Private Purpose <u>Trust Funds</u>	Custodial <u>Funds</u>
Additions			
Contributions	\$ 1,093,893	\$ 4,565	\$ -
Fees collected from students	-	-	41,155
Investment income	44,650	366	260
Other income	-	-	11,725
	<u>1,138,543</u>	<u>4,931</u>	<u>53,140</u>
Deductions			
Payments to beneficiaries	1,093,893	13,070	-
Payments on behalf of students	-	-	31,574
Other payments	-	-	14,238
	<u>1,093,893</u>	<u>13,070</u>	<u>45,812</u>
Net Increase (Decrease)	44,650	(8,139)	7,328
Net Position Restricted for OPEB and Other Purposes			
Beginning of year	<u>177,388</u>	<u>102,120</u>	<u>61,361</u>
End of year	<u>\$ 222,038</u>	<u>\$ 93,981</u>	<u>\$ 68,689</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MILLIS, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Millis, Massachusetts (the Town) conform to Generally Accepted Accounting Principles (GAAP) as applicable to governmental units. The following is a summary of the significant policies:

Reporting Entity

The Town is a municipal corporation governed by an elected Board of Selectmen. As required by GAAP, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2021, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given 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 (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter 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.

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*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the 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. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures such as debt service, claims and judgments, compensated absences, OPEB, and pension are recorded only when payment is due.

The Town reports the following major governmental funds:

- The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Department of Public Works (DPW) Facilities Fund* accounts for the construction, renovation, and remodeling of the building.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The

principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports the following major proprietary funds:

- *Water Fund*: To account for the operation of water treatment plant, Town wells, and water system.
- *Sewer Fund*: To account for the operation of a sewer treatment plant, pumping station and sewer liens.

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

The Town reports the following fiduciary funds:

- The *Other Post-Employment Benefit Trust Fund* is used to accumulate resources for health and life insurance benefits for retired employees.
- The *Private-Purpose Trust Fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.
- The *Custodial Funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others and are not required to be reported elsewhere on the financial statements. The Custodial Funds include fees collected on behalf of students.

Cash and Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, money markets, savings accounts, and money market accounts. Generally, a cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments".

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be cash equivalents.

Where applicable, fair values are based on quotations from national securities exchanges, except for certain investments that are required to be presented using net asset value (NAV). The NAV per share is the amount of net assets attributable to each share outstanding at the close of the period. Investments measured at NAV for fair value are not subject to level classification.

Investments are carried at fair value, except certificates of deposit which are reported at cost.

Property Tax Limitations

Legislation known as “Proposition 2½” has limited the amount of revenue that can be derived from property taxes. The prior fiscal year’s tax levy limit is used as a base and cannot increase by more than 2.5% (excluding new growth), unless an override is voted. The actual fiscal year 2021 tax levy reflected an excess capacity of \$19,488. Certain provisions of Proposition 2 ½ can be overridden by a referendum.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	30 - 75
Vehicles	5
Machinery, equipment, and furnishings	5

Compensated Absences

It is the Town’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported

in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt, net pension liability, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net position”.

Fund Balance

Generally, fund balance represents the difference between the current assets and current liabilities/deferred inflows of resources. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods. The General Fund is the only fund that reports a positive unassigned fund balance.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Position

Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on use either through enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net position is reported as unrestricted.

Use of Estimates

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

2. Stewardship, Compliance, and Accountability

Budgetary Information

At the annual town meeting, the Finance Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line-item budget as approved if it is for an emergency and for the safety of the general public.

At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

Deficit Fund Equity

Certain individual funds reflected deficit balances as of June 30, 2021.

It is anticipated that the deficits in these funds will be eliminated through future departmental revenues, bond proceeds, and transfers from other funds.

3. Deposits and Investments

Town (Excluding the OPEB Trust Fund)

State statute Massachusetts General Laws (MGL) Chapter 44, Section 55 places certain limitation on the nature of deposits and investments available to the Town. Deposits, including demand deposits, money markets, certificates of deposits in any one financial institution, may not exceed 60% of the capital and surplus of such institution unless collateralized by the institution involved. Investments may be made in unconditionally guaranteed U.S. government obligations having maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consist of such obligations. Other allowable investments include certificates of deposits having a maturity date of up to 3 years from the date of purchase, national banks and Massachusetts Municipal Depository Trust (MMDT). MMDT, which is an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts, meets the criteria established by Governmental Accounting Standards Board (GASB) 79. MMDT has an average maturity of less than 1 year and is not rated or subject to custodial credit risk disclosure. MGL Chapter 44, Section 54 provides additional investment options for certain special revenue, trust, and OPEB funds.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of bank failure, the Town’s deposits may not be returned. The Town does not have formal deposit policies related to the custodial credit risk of deposits.

As of June 30, 2021, none of the Town’s bank balance of \$15,890,729 was exposed to custodial credit risk as uninsured and uncollateralized.

Investment Summary

The following is a summary of the Town’s investments as of June 30, 2021:

<u>Investment Type</u>	<u>Amount</u>
Corporate bonds	\$ 874,641
Corporate equities	222,746
Federal agency securities	168,269
Fixed income mutual funds	134,390
Market-linked certificates of deposit	125,321
U.S. Treasury notes	<u>305,181</u>
Total investments	<u>\$ 1,830,548</u>

Custodial Credit Risk – Investments

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Town will not be able to recover the value of its investment or collateral securities that are in possession of another party. The Town does not have formal investment policies related to custodial credit risk.

As of June 30, 2021, the Town did not have investments subject to custodial credit risk exposure as all assets were held in the Town’s name.

Credit Risk – Investments in Debt Securities

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. The Town does not have formal investment policies related to credit risk.

As of June 30, 2021, the credit quality ratings, as rated by Moody's Investors Service, Inc./S&P Global Ratings/Fitch Ratings, Inc., of the Town's debt securities are as follows (U.S. Treasury notes have an implied rating of AAA):

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>					<u>Not Readily Available</u>	<u>Unrated</u>
		<u>Aaa</u>	<u>A2</u>	<u>Baa1</u>	<u>Baa2</u>			
Corporate bonds	\$ 874,641	\$ -	\$ 317,497	\$ 225,173	\$ 331,971	\$ -	\$ -	
Federal agency securities	168,269	168,269	-	-	-	-	-	
Fixed income mutual funds	134,390	-	-	-	-	134,390	-	
Market-linked certificates of deposit	<u>125,321</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,321</u>	
Total	\$ <u>1,302,621</u>	\$ <u>168,269</u>	\$ <u>317,497</u>	\$ <u>225,173</u>	\$ <u>331,971</u>	\$ <u>134,390</u>	\$ <u>125,321</u>	

Concentration of Credit Risk – Investments

Concentration of credit risk is the risk of loss attributable to the magnitude of the Town's investment in a single issuer. The Town places no limit on the amount invested in any one issuer. The Town does not have formal investment policies related to concentration of credit risk exposure.

Individual investments exceeding 5% of the Town's total investments at June 30, 2021 are as follows:

<u>Investment Issuer</u>	<u>Amount</u>	<u>% of Total Investments</u>
General Electric Capital Corp MTN	\$ 101,202	6%
Pfizer Inc Note	100,468	5%
AT&T Inc Note	<u>102,553</u>	6%
Total	\$ <u>304,223</u>	

Interest Rate Risk – Investments in Debt Securities

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 formal investment policies limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities</u> <u>(in Years)</u>			<u>Not Readily Available</u>
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	
Corporate bonds	\$ 874,641	\$ 140,435	\$ 645,610	\$ 88,596	\$ -
Federal agency securities	168,269	-	168,269	-	-
Fixed income mutual funds	134,390	-	-	-	134,390
Market-linked certificates of deposit	125,321	-	125,321	-	-
U.S. Treasury notes	305,181	-	195,148	110,033	-
Total	<u>\$ 1,607,802</u>	<u>\$ 140,435</u>	<u>\$ 1,134,348</u>	<u>\$ 198,629</u>	<u>\$ 134,390</u>

Foreign Currency Risk – Investments

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have formal investment policies related to foreign currency risk.

Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* (GASB 72).

The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the fund are accessible at the measurement date.
- Level 2 – inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as Level 2.
- Level 3 – unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation.

The Town has the following fair value measurements as of June 30, 2021:

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value Measurements Using:</u>		
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments by fair value level:				
Corporate bonds	\$ 874,641	\$ -	\$ 874,641	\$ -
Corporate equities	222,746	222,746	-	-
Federal agency securities	168,269	-	168,269	-
Fixed income mutual funds	134,390	134,390	-	-
Market-linked certificates of deposit	125,321	-	125,321	-
U.S. Treasury notes	305,181	305,181	-	-
Total	<u>\$ 1,830,548</u>	<u>\$ 662,317</u>	<u>\$ 1,168,231</u>	<u>\$ -</u>

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities relationship to benchmark quote prices. Level 2 debt securities have non-proprietary information that was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

4. Investments – OPEB Trust Fund

Generally, the Town’s OPEB investment policies mirror that of the Town as discussed in the previous note.

As of June 30, 2021, none of the OPEB Trust Fund’s bank balance of \$1,066 was exposed to custodial credit risk as uninsured and uncollateralized.

The following is a summary of the OPEB Trust Fund’s investments as of June 30, 2021:

<u>Investment Type</u>	<u>Amount</u>
Corporate equities	\$ 155,738
Fixed income mutual funds	<u>65,234</u>
Total investments	<u>\$ 220,972</u>

Custodial Credit Risk

As of June 30, 2021, the OPEB Trust Fund did not have investments subject to custodial credit risk exposure as all assets were held in the Town’s name.

Credit Risk – Investments in Debt Securities

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. The rating for fixed income mutual funds was not readily available.

Concentration of Credit Risk

As of June 30, 2021, the OPEB Trust Funds individual investments exceeding 5% of the OPEB Trust Fund’s total investments are as follows:

<u>Investment Issuer</u>	<u>Amount</u>	<u>Investments</u>
Blackrock Systematic Esg Bond	\$ 11,748	5%
Calvert Bond Fund Class	11,690	5%
Brown Advisory Sustain Growth Inst	23,087	10%
Calvert Small Cap CL	11,707	5%
Domini Impact Intl Equity Inst	25,816	12%
JP Morgan Hedged Equity 2 FD	14,513	7%
Parnassus Core Equity Instl	21,899	10%
Parnassus Mid Cap FD Instl	<u>13,245</u>	6%
Total	<u>\$ 133,705</u>	

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. This information for fixed income mutual funds was not readily available.

Fair Value

The OPEB Trust Fund has the following fair value measurements as of June 30, 2021:

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value Measurements Using:</u>		
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments by fair value level:				
Corporate equities	\$ 155,738	\$ 155,738	\$ -	\$ -
Fixed income mutual funds	<u>65,234</u>	<u>65,234</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 220,972</u>	<u>\$ 220,972</u>	<u>\$ -</u>	<u>\$ -</u>

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities relationship to benchmark quote prices. Level 2 debt securities have non-proprietary information that was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

5. Property Taxes and Excises Receivable

Real and personal property taxes are based on market values assessed as of each January 1. By law, all taxable property must be assessed at 100% of fair cash value. Also by law, property taxes must be levied at least 30 days prior to their due date. Once levied, these taxes are recorded as receivables, net of estimated uncollectible balances. Property tax revenues have been recorded using the accrual and modified accrual basis of accounting in the government-wide and fund basis statements, respectively.

The Town bills and collects its property taxes on a quarterly basis following the January 1 assessment. The due dates for those quarterly tax billings are August 1, November 1, February 1, and May 1. Property taxes that remain unpaid after the respective due dates are subject to penalties and interest charges.

Based on the Town's experience, most property taxes are collected during the year in which they are assessed. Liening of properties on which taxes remain unpaid generally occurs annually. The Town ultimately has the right to foreclose on all properties where the taxes remain unpaid.

A statewide property tax limitation known as “Proposition 2 ½” limits the amount of increase in the property tax levy in any fiscal year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2 ½% of the total assessed value of all taxable property within the Town. Secondly, the tax levy cannot increase by more than 2 ½ % of the prior year’s levy plus the taxes on property newly added to the tax rolls.

Motor vehicle excise taxes are assessed annually for every motor vehicle and trailer registered in the Commonwealth. The Registry of Motor Vehicles annually calculates the value of all registered motor vehicles for the purpose of excise assessment. The amount of motor vehicle excise tax due is calculated using a fixed rate of \$25 per \$1,000 of value.

Property taxes and excises receivable at June 30, 2021 consist of the following:

	Gross Amount <u>(fund basis)</u>	Allowance for Doubtful <u>Accounts</u>	Current <u>Portion</u>	Long- Term <u>Portion</u>
Real estate taxes	\$ 667,256	\$ (117,000)	\$ 550,256	\$ -
Personal property taxes	69,758	(43,000)	26,758	-
Community preservation act	3,293	-	3,293	-
Tax liens	<u>603,632</u>	<u>(60,000)</u>	<u>43,073</u>	<u>500,559</u>
Total property taxes	<u>\$ 1,343,939</u>	<u>\$ (220,000)</u>	<u>\$ 623,380</u>	<u>\$ 500,559</u>
Motor vehicle excise	<u>\$ 220,789</u>	<u>\$ (104,000)</u>	<u>\$ 116,789</u>	
Total excises	<u>\$ 220,789</u>	<u>\$ (104,000)</u>	<u>\$ 116,789</u>	
Ambulance	\$ 233,259	\$ (69,000)	\$ 164,259	
Other departmental	<u>116,461</u>	<u>-</u>	<u>116,461</u>	
Total departmental	<u>\$ 349,720</u>	<u>\$ (69,000)</u>	<u>\$ 280,720</u>	

6. Betterments Receivable

Betterments receivables represent special assessments billed to property owners for sewer infrastructure improvements.

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal year 2021.

8. Interfund Transfers

The Town reports interfund transfers between many of its funds. The sum of all transfers presented in the table below agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2021:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 434,718	\$ 229,795
DPW Facilities Fund	635,888	-
Nonmajor Governmental Funds:		
Special Revenue Funds	-	432,644
Capital Project Funds	447,617	124,215
Trust Funds	-	332
Subtotal Nonmajor Governmental Funds	447,617	557,191
<u>Business-Type Funds:</u>		
Water Fund	-	249,158
Sewer Fund	-	354,932
Stormwater Fund	-	127,147
Subtotal Business-Type Funds	-	731,237
Total	<u>\$ 1,518,223</u>	<u>\$ 1,518,223</u>

The transfers out of the General Fund of \$229,795 was transferred to Capital Project Funds for various capital items. Of the transfers into the General Fund, \$371,438 was transferred from the Ambulance Fund for ambulance wages and expenses. Of the transfers out of the business-type funds, \$500,000 was to the DPW Facilities Fund for the remodeling of the DPW facility.

9. Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 37,588	\$ 46,943	\$ -	\$ 84,531
Machinery, equipment, furnishings, and vehicles	11,583	270	-	11,853
Infrastructure	<u>26,050</u>	<u>206</u>	<u>-</u>	<u>26,256</u>
Total capital assets, being depreciated	75,221	47,419	-	122,640
Less accumulated depreciation for:				
Buildings and improvements	(13,705)	(1,194)	-	(14,899)
Machinery, equipment, furnishings, and vehicles	(7,457)	(777)	-	(8,234)
Infrastructure	<u>(12,157)</u>	<u>(511)</u>	<u>-</u>	<u>(12,668)</u>
Total accumulated depreciation	<u>(33,319)</u>	<u>(2,482)</u>	<u>-</u>	<u>(35,801)</u>
Capital assets, being depreciated, net	41,902	44,937	-	86,839
Capital assets, not being depreciated:				
Land	3,402	-	-	3,402
Construction in progress	<u>45,805</u>	<u>1,653</u>	<u>(45,768)</u>	<u>1,690</u>
Total capital assets, not being depreciated	<u>49,207</u>	<u>1,653</u>	<u>(45,768)</u>	<u>5,092</u>
Governmental activities capital assets, net	<u>\$ 91,109</u>	<u>\$ 46,590</u>	<u>\$ (45,768)</u>	<u>\$ 91,931</u>
	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Business-Type Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 2,620	\$ 1,020	\$ -	\$ 3,640
Machinery, equipment, furnishings, and vehicles	2,603	-	-	2,603
Infrastructure	<u>13,841</u>	<u>2,085</u>	<u>-</u>	<u>15,926</u>
Total capital assets, being depreciated	19,064	3,105	-	22,169
Less accumulated depreciation for:				
Buildings and improvements	(1,851)	(44)	-	(1,895)
Machinery, equipment, furnishings, and vehicles	(1,516)	(47)	-	(1,563)
Infrastructure	<u>(5,527)</u>	<u>(339)</u>	<u>-</u>	<u>(5,866)</u>
Total accumulated depreciation	<u>(8,894)</u>	<u>(430)</u>	<u>-</u>	<u>(9,324)</u>
Capital assets, being depreciated, net	10,170	2,675	-	12,845
Capital assets, not being depreciated:				
Land	1,376	-	-	1,376
Construction in progress	<u>3,107</u>	<u>-</u>	<u>(3,107)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>4,483</u>	<u>-</u>	<u>(3,107)</u>	<u>1,376</u>
Business-type activities capital assets, net	<u>\$ 14,653</u>	<u>\$ 2,675</u>	<u>\$ (3,107)</u>	<u>\$ 14,221</u>

Depreciation expense was charged to functions of the Town as follows (in thousands):

Governmental Activities	
General government	\$ 89
Public safety	992
Education	566
Public works	651
Health and human services	11
Culture and recreation	<u>173</u>
Total governmental activities	\$ <u>2,482</u>
Business-Type Activities	
Water	\$ 241
Sewer	<u>189</u>
Total business-type activities	\$ <u>430</u>

10. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

11. Accounts Payable

Accounts payable represent fiscal year 2021 expenditures paid after July 1, 2021.

12. Accrued Liabilities

Accrued liabilities represent fiscal year 2021 salaries, employee withholdings, and accrued interest on bonds payable paid in fiscal year 2022.

13. Unearned Revenue

Unearned revenue represents the receipt of unspent American Rescue Plan Act funds that will be recognized in future years.

14. Notes Payable

The Town had the following short-term notes outstanding at June 30, 2021:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/21</u>
Clyde Brown Elementary School	1.95%	10/30/20	10/29/21	\$ 470,000
Veterans Memorial Bldg HVAC Improv	0.70%	09/10/20	09/10/21	64,200
Auditorium Repairs	0.70%	09/10/20	09/10/21	54,000
Varsity Baseball Field	0.70%	09/10/20	09/10/21	36,000
Bobcat Excavator	0.70%	09/10/20	09/10/21	33,753
Fire Departmental Vehicle	0.70%	09/10/20	09/10/21	31,124
Fuel Dispensing System	0.70%	09/10/20	09/10/21	30,000
School Bus	0.70%	09/10/20	09/10/21	27,000
Advanced Life Support Equipment	0.70%	09/10/20	09/10/21	24,323
Middle/High School Bathroom Upgrade	0.70%	09/10/20	09/10/21	24,000
Veterans Memorial Bldg Drainage/HVAC	0.70%	09/10/20	09/10/21	18,090
Advanced Life Support Medications & Equip	0.70%	09/10/20	09/10/21	7,716
IT/Data Processing	0.70%	09/10/20	09/10/21	6,600
Total				<u>\$ 826,806</u>

The following summarizes activity in notes payable during fiscal year 2021:

	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Governmental:				
Clyde Brown school	\$ 1,511,789	\$ 470,000	\$ (1,511,789)	\$ 470,000
Veterans memorial HVAC	85,600	64,200	(85,600)	64,200
Auditorium repairs	72,000	54,000	(72,000)	54,000
Varsity baseball field	48,000	36,000	(48,000)	36,000
Bobcat excavator	45,003	33,753	(45,003)	33,753
Fire vehicle	41,498	31,124	(41,498)	31,124
Fuel dispensing system	40,000	30,000	(40,000)	30,000
School bus	36,000	27,000	(36,000)	27,000
Advanced life support equipment	32,430	24,323	(32,430)	24,323
Middle/High school bathroom upgrades	32,000	24,000	(32,000)	24,000
Veterans memorial drainage	24,120	18,090	(24,120)	18,090
Advanced life support medications	10,288	7,716	(10,288)	7,716
IT/Data processing	8,800	6,600	(8,800)	6,600
DPW facility	500,000	-	(500,000)	-
Total	<u>\$ 2,487,528</u>	<u>\$ 826,806</u>	<u>\$ (2,487,528)</u>	<u>\$ 826,806</u>

15. Capital Lease Obligations

The Town is the lessee of certain equipment under capital leases expiring in various years through 2024. Future minimum lease payments under the capital leases consisted of the following as of June 30, 2021:

2022	\$ 177,148
2023	131,286
2024	<u>17,890</u>
Total minimum lease payments	326,324
Less: amounts representing interest	<u>(7,375)</u>
Present value of minimum lease payments	<u>\$ 318,949</u>

Leased assets included in capital assets at June 30, 2021 are as follows:

Machinery, vehicles, and equipment	\$ 701,026
Less: accumulated depreciation	<u>(199,445)</u>
Equipment under capital leases, net	<u>\$ 501,581</u>

16. Long-Term Debt

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds currently outstanding are as follows:

<u>Governmental Activities</u>		Serial		Amount
	Original	Maturities	Interest	Outstanding
<u>General Obligation Bonds</u>	<u>Issue</u>	<u>Through</u>	<u>Rate(s) %</u>	<u>as of</u>
				<u>6/30/21</u>
Public offerings:				
Library construction	\$ 5,000,000	02/15/33	3.09%	\$ 3,000,000
Culvert repairs - Main St	125,000	02/15/23	3.30%	20,000
Public way - Crestview/Klifford	299,042	02/15/26	3.31%	100,000
Police and fire building	9,461,000	08/01/35	2.0 - 5.0%	7,460,000
Additional police and fire	1,183,000	08/01/36	2.0 - 5.0%	940,000
VMB boiler	76,557	08/01/24	2.0 - 5.0%	35,000
VMB restoration/masonry	361,267	08/01/26	2.0 - 5.0%	260,000
Additional library	57,000	08/01/26	2.0 - 5.0%	35,000
Quint fire truck	668,002	08/01/28	2.0 - 5.0%	435,000
DPW vehicles	166,045	08/01/28	2.0 - 5.0%	90,000
Drainage - Acorn St (refunded)	199,000	08/01/25	2.0 - 5.0%	110,000
General obligation bond	24,454,880	11/01/28	5.00%	22,415,000
Clyde Brown School	3,107,000	10/15/44	5.00%	2,980,000
DPW general obligation bond	3,835,000	04/15/46	2.0 - 5.0%	<u>3,835,000</u>
Total governmental activities				\$ <u>41,715,000</u>

<u>Business-Type Activities</u>		Serial		Amount
		Maturities	Interest	Outstanding
<u>General Obligation Bonds</u>		<u>Through</u>	<u>Rate(s) %</u>	<u>as of</u>
				<u>6/30/21</u>
Public offerings:				
Water - Forest Rd. mains	\$ 682,000	02/15/33	3.30%	\$ 402,000
Water - Irving St. mains	139,610	02/15/33	3.30%	23,000
Water - System improvement chlorine contact loop	300,600	08/01/23	2.0 - 5.0%	120,000
Water - Storage tank painting	595,465	08/01/24	2.0 - 5.0%	295,000
Water - Ross Ave. improvements	230,000	08/01/35	2.0 - 5.0%	170,000
Water - Well 5 and 6 (refunded)	518,000	08/01/23	2.0 - 5.0%	220,000
Water - Paine well (refunded)	86,500	08/01/23	2.0 - 5.0%	30,000
General obligation bond	1,696,830	11/01/28	5.00%	1,510,000
Water system improvements	833,000	10/15/39	5.00%	785,000
Sewer improvements - Franklin	149,086	02/15/23	3.30%	30,000
Sewer - Water St. pump station	620,500	08/01/35	2.0 - 5.0%	480,000
Sewer improvements - area E (refunded)	748,500	08/01/26	2.0 - 5.0%	450,000
General obligation bond	208,290	11/01/28	5.00%	<u>100,000</u>
Total business-type activities				\$ <u>4,615,000</u>

Future Debt Service

The annual payments to retire all general obligation bonds outstanding as of June 30, 2021 are as follows:

<u>Governmental</u>	<u>Bonds - Public Offerings</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 2,260,000	\$ 1,604,108	\$ 3,864,108
2023	2,260,000	1,498,338	3,758,338
2024	2,250,000	1,388,337	3,638,337
2025	2,240,000	1,278,788	3,518,788
2026	2,225,000	1,180,589	3,405,589
2027	2,170,000	1,086,837	3,256,837
2028	2,145,000	994,986	3,139,986
2029	2,135,000	900,788	3,035,788
2030	2,085,000	812,438	2,897,438
2031	2,085,000	731,613	2,816,613
2032 - 2036	9,600,000	2,627,517	12,227,517
2037 - 2041	6,195,000	1,277,191	7,472,191
2042 - 2046	<u>4,065,000</u>	<u>247,125</u>	<u>4,312,125</u>
Total	<u>\$ 41,715,000</u>	<u>\$ 15,628,655</u>	<u>\$ 57,343,655</u>

<u>Business-Type</u>	<u>Bonds - Public Offerings</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 570,000	\$ 182,995	\$ 752,995
2023	565,000	153,945	718,945
2024	485,000	128,270	613,270
2025	360,000	107,495	467,495
2026	285,000	92,670	377,670
2027	280,000	80,445	360,445
2028	200,000	69,945	269,945
2029	200,000	61,255	261,255
2030	195,000	52,955	247,955
2031	195,000	45,775	240,775
2032 - 2036	885,000	137,701	1,022,701
2037 - 2041	<u>395,000</u>	<u>21,875</u>	<u>416,875</u>
Total	<u>\$ 4,615,000</u>	<u>\$ 1,135,326</u>	<u>\$ 5,750,326</u>

Changes in Long-Term Liabilities

During the year ended June 30, 2021, the following changes occurred in long-term liabilities (in thousands):

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Less Current <u>Portion</u>	Equals Long-term <u>Portion</u>
Governmental Activities						
Bonds payable:						
Public offerings	\$ 39,997	\$ 3,835	\$ (2,117)	\$ 41,715	\$ (2,260)	\$ 39,455
Unamortized bond premium	<u>1,717</u>	<u>-</u>	<u>(101)</u>	<u>1,616</u>	<u>(101)</u>	<u>1,515</u>
Subtotal	41,714	3,835	(2,218)	43,331	(2,361)	40,970
Net pension liability	13,951	-	(1,794)	12,157	-	12,157
Net OPEB liability	35,704	16,407	-	52,111	-	52,111
Landfill liability	82	-	(11)	71	(11)	60
Compensated absences	601	50	(6)	645	(32)	613
Capital leases	<u>380</u>	<u>118</u>	<u>(179)</u>	<u>319</u>	<u>(173)</u>	<u>146</u>
Total	\$ <u>92,432</u>	\$ <u>20,410</u>	\$ <u>(4,208)</u>	\$ <u>108,634</u>	\$ <u>(2,577)</u>	\$ <u>106,057</u>

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Less Current <u>Portion</u>	Equals Long-term <u>Portion</u>
Business-Type Activities						
Bonds payable:						
Public offerings	\$ 5,273	\$ -	\$ (658)	\$ 4,615	\$ (570)	\$ 4,045
Net pension liability	302	-	(39)	263	-	263
Net OPEB liability	<u>778</u>	<u>533</u>	<u>-</u>	<u>1,311</u>	<u>-</u>	<u>1,311</u>
Total	\$ <u>11,626</u>	\$ <u>533</u>	\$ <u>(697)</u>	\$ <u>10,804</u>	\$ <u>(570)</u>	\$ <u>9,664</u>

Long-Term Debt Supporting Governmental and Business-Type Activities

Bonds issued by the Town for various municipal projects, are approved by Town Meeting and repaid with revenues recorded in the General Fund and user fees recorded in enterprise funds. All other long-term debt is repaid from the funds that the cost relates to, primarily the General Fund and Enterprise Funds.

17. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the Town to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure.

The \$71,282 reported as landfill postclosure care liability at June 30, 2021 represents the remaining estimated postclosure maintenance costs. These amounts are based on what it would cost to perform all postclosure care in 2021. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

18. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of net position by the Town that is applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and are more fully described in the corresponding pension and OPEB notes. *Unavailable revenues* are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

19. Governmental Funds - Balances

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The Town implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2021:

Nonspendable

Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted

Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes General Fund debt service, capital projects funded by borrowing, various special revenue funds, and the income portion of permanent trust funds.

Committed

Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes the stabilization fund for the Oak Grove Farmhouse and General Fund non-lapsing appropriations approved at Town meeting.

Assigned

Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes General Fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period, and surplus set aside to be used in the subsequent year's budget.

Unassigned

Represents amounts that are available to be spent in future periods, general stabilization funds, and deficit funds.

Following is a breakdown of the Town's fund balances at June 30, 2021:

	General Fund	DPW Facilities Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 193,116	\$ 193,116
Total Nonspendable	-	-	193,116	193,116
Restricted				
Reserved for debt service	839,678	-	-	839,678
Bonded projects	-	2,649,160	911,250	3,560,410
Special revenue funds:				
Community preservation	-	-	1,033,183	1,033,183
School choice tuition	-	-	332,508	332,508
Circuit breaker	-	-	298,107	298,107
Ambulance	-	-	656,025	656,025
Cellular antennae lease	-	-	176,471	176,471
Other	-	-	1,473,211	1,473,211
Expendable permanent funds	-	-	49,278	49,278
Total Restricted	839,678	2,649,160	4,930,033	8,418,871
Committed				
Stabilization - Oak Grove Farmhouse*	2,074	-	-	2,074
Reserved for articles:				
General government	27,661	-	-	27,661
Public safety	22,829	-	-	22,829
Education	66,577	-	-	66,577
Public works	4,040	-	-	4,040
Culture and recreation	24,579	-	-	24,579
Employee benefits	66,430	-	-	66,430
Total Committed	214,190	-	-	214,190
Assigned				
Encumbrances:				
General government	28,496	-	-	28,496
Public safety	25,990	-	-	25,990
Education	56,926	-	-	56,926
Public works	6,529	-	-	6,529
Health and human services	130	-	-	130
Culture and recreation	7,806	-	-	7,806
Subsequent year's expenditures:				
Operating	185,581	-	-	185,581
Capital	239,831	-	-	239,831
Total Assigned	551,289	-	-	551,289
Unassigned				
Unassigned	2,415,793	-	(1,146,490)	1,269,303
General stabilization fund	1,852,596	-	-	1,852,596
Total Unassigned	4,268,389	-	(1,146,490)	3,121,899
Total Fund Balance	\$ 5,873,546	\$ 2,649,160	\$ 3,976,659	\$ 12,499,365

* Massachusetts General Law Ch. 40 §5B allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires 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 the legislative body.

20. Norfolk County Retirement System

The Town follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the employees' retirement funds.

Plan Description

Substantially all employees of the Town (except teachers under contract employed by the School Department) are members of the Norfolk County Retirement System (the System), a cost-sharing, multiple-employer, defined benefit, public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publicly available from the System located at Norfolk County Retirement System at 480 Neponset Street, Building 15, Canton, MA 02021.

Participant Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired on or after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

For those members entering a Massachusetts System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

Participant Retirement Benefits

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest 5-year average annual rate of regular compensation for those

first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100%, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

There are four classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other three classes are as follows:

- Group 1 – General employees, including clerical, administrative, technical, and all other employees not otherwise classified.
- Group 2 – Certain specified hazardous duty positions.
- Group 4 – Police officers, firefighters, and other specified hazardous positions.

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

Methods of Payment

A member may elect to receive his or her retirement allowance in one of three forms of payment as follows:

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the

total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up" to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The Town's contribution to the System for the year ended June 30, 2021 was \$1,947,583 which was equal to its annual required contribution.

Summary of Significant Accounting Policies

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 System and additions to/deductions from System's fiduciary net position have been determined on the same basis as they are reported by System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the Town reported a liability of \$12,420,019 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 employers, actuarially determined. At June 30, 2020, the Town's proportion was 2.4317%, which was increase of 0.004% from its proportion measured as of June 30, 2020.)

For the year ended June 30, 2021, the Town recognized pension expense of \$1,420,061. In addition, the Town reported the following deferred outflows and inflows of resources related to pension from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 627,839	\$ -
Net difference between projected and actual earnings on pension plan investments	-	1,082,478
Changes of assumptions	55,673	-
Changes in proportion and differences between contributions and proportionate share of contributions	<u>23,857</u>	<u>140,050</u>
Total	<u>\$ 707,369</u>	<u>\$ 1,222,528</u>

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

Year ended June 30:	
2022	\$ 54,038
2023	201,591
2024	(572,854)
2025	<u>(197,934)</u>
Total	<u>\$ (515,159)</u>

Actuarial Assumptions

The total pension liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

COLA	3.00% of first \$18,000 of retirement income
Salary increases	3-5% - 5.5%
Inflation rate	3.00%
Investment rate of return	7.75%

Mortality rates were based on the RP-2014 Blue Collar Mortality Table adjusted with Scale MP-2014.

Target Allocations

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	30.50%	7.30%
International equity	15.50%	8.10%
Fixed income	20.50%	4.30%
Real estate	9.50%	8.20%
Private equity	10.00%	9.90%
Hedge funds	11.50%	9.90%
Real assets	<u>2.50%</u>	9.00%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive 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 Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
\$16,720,639	\$ 12,420,019	\$ 8,702,327

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued System financial report.

21. Massachusetts Teachers’ Retirement System (MTRS)

Plan Description

The Massachusetts Teachers’ Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing, multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for all 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 does not issue a stand-alone audited financial report.

Management of MTRS is vested in the Massachusetts Teachers’ Retirement Board (MTRB), which consists of seven members—two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves ex-officio as the Chairman of the MTRB.

Benefits Provided

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establish uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation

retirement allowance benefits up to a maximum of 80% of a member’s highest 3-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last 5 years or any 5 consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member’s age, length of creditable service and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of creditable service or upon reaching the age of 55 with 10 years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

The MTRS’ funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

Contributions

Member contributions for MTRS vary depending on the most recent date of membership:

<u>Membership Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 to 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation in excess of \$30,000

Actuarial Assumptions

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2020. This valuation used the following assumptions:

- (a) 7.15% (changed from 7.25%) investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.

- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality through January 1, 2017.
- Mortality rates were as follows:
 - Pre-retirement – reflects Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).
 - Post-retirement – reflects Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).
 - Disability – assumed to be in accordance with the Pub-2010 Teachers Retirees Mortality Table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).

Target Allocations

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund’s target asset allocation as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	39.00%	4.80%
Portfolio completion strategies	11.00%	0.70%
Core fixed income	15.00%	8.20%
Private equity	13.00%	3.20%
Real estate	10.00%	3.50%
Value added fixed income	8.00%	4.20%
Timber/natural resources	4.00%	4.10%
Total	<u>100.00%</u>	

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 that plan member contributions will be made at the current contribution rates and the Commonwealth’s contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member

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

Sensitivity Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate (amounts in thousands):

1% Decrease to <u>6.15%</u>	Current Discount Rate (<u>7.15%</u>)	1% Increase to <u>8.15%</u>
\$ 35,411,955	\$ 28,544,844	\$ 22,908,510

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarial determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions (GASB 68)* and the Commonwealth is a nonemployer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

Town Proportions

In fiscal year 2020 (the most recent measurement period), the Town’s proportionate share of the MTRS’ collective net pension liability was \$41,648,847 based on a proportionate share of 0.145907%. As required by GASB 68, the Town has recognized its portion of the Commonwealth’s contribution of \$2,266,563 as both a revenue and expenditure in the General Fund, and its portion of the collective pension expense of \$2,877,666 as both a revenue and expense in the governmental activities.

22. Other Post-Employment Benefits (GASB 74 and GASB 75)

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2014, the Town established a single employer defined benefit OPEB Trust Fund to provide funding for future employee health care costs. The OPEB Trust Fund does not issue a stand-alone financial report.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of *Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All the following OPEB disclosures are based on a measurement date of June 30, 2021.

General Information about the OPEB Plan

Plan Description

The Town provides post-employment healthcare benefits for retired employees through the Town’s plan. The Town provides health insurance coverage through the Group Insurance Commission. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws.

Benefits Provided

The Town provides medical and prescription drug insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

Funding Policy

The Town’s funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute. Additional contributions are based on annual budget limitations/authorizations. There were no additional contributions in fiscal year 2021.

Plan Membership

At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	187
Active employees	<u>285</u>
Total	<u><u>472</u></u>

Investments

The OPEB trust fund assets consist of corporate equities and fixed income mutual funds.

Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 25.17%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of July 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5% as of June 30, 2021 and for future periods 3.00% annually as of June 30, 2021 and for future periods
Salary increases	6.30%, net of OPEB plan investment expense including inflation
Investment rate of return	2.18% as of June 30, 2021
Municipal bond rate	2.50%, net of OPEB plan investment expense, including inflation
Discount rate	4.50% for 2021
Healthcare cost trend rates	50% of premiums
Retirees' share of benefit-related costs	80% of employees elect coverage upon retirement
Participation rate	

Mortality rates for pre-retirement were based on RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females. Mortality rates for post-retirement were based on RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females. Mortality rates for disabled were based on RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.

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 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 target asset allocation as of June 30, 2021 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity - large cap	26.75%	4.90%
Domestic equity - small/mid cap	16.00%	5.40%
International equity - developed market	11.75%	5.32%
International equity - emerging market	7.50%	6.26%
Domestic fixed income	26.75%	1.40%
International fixed income	5.50%	1.30%
Alternatives	5.25%	6.32%
Real estate	0.00%	6.25%
Cash	<u>0.50%</u>	0.00%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the net OPEB liability was 2.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. As a result, a blended discount rate was used based on a combination of the investment rate of return of 6.30% and municipal bond rate of 2.18% (based on index provided by Standard and Poor's on 20-year municipal bond rate as of June 30, 2021).

Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2021, were as follows:

Total OPEB liability	\$ 53,643,914
Plan fiduciary net position	<u>(222,038)</u>
Net OPEB liability	<u>\$ 53,421,876</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.41%

The fiduciary net position has been determined on the same basis used by the OPEB Plan. For this purpose, the Plan recognizes benefit payments when due and payable.

Changes in the Net OPEB Liability

The following summarizes the changes in the net OPEB liability for the past year:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 36,659,087	\$ 177,388	\$ 36,481,699
Changes for the year:			
Service cost	1,558,617	-	1,558,617
Interest	1,130,244	-	1,130,244
Contributions - employer	-	1,093,893	(1,093,893)
Net investment income	-	44,650	(44,650)
Differences between expected and actual experience	4,171,539	-	4,171,539
Changes in assumptions or other inputs	11,218,320	-	11,218,320
Benefit payments	<u>(1,093,893)</u>	<u>(1,093,893)</u>	<u>-</u>
Net Changes	<u>16,984,827</u>	<u>44,650</u>	<u>16,940,177</u>
Balances, end of year	<u>\$ 53,643,914</u>	<u>\$ 222,038</u>	<u>\$ 53,421,876</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.00% in 2020 to 2.50% in 2021.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

1% <u>Decrease</u>	Current Discount Rate	1% <u>Increase</u>
\$ 64,535,569	\$ 53,421,876	\$ 44,876,856

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it as calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
\$ 43,922,839	\$ 53,421,876	\$ 66,114,243

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 an OPEB expense of \$3,738,782. At June 30, 2021, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 3,541,398	\$ 2,705,084
Change in assumptions	13,256,417	1,056,014
Net difference between projected and actual OPEB investment earnings	<u>-</u>	<u>20,111</u>
Total	<u>\$ 16,797,815</u>	<u>\$ 3,781,209</u>

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

<u>Year Ended June 30:</u>	
2022	\$ 2,154,991
2023	2,154,581
2024	2,346,516
2025	2,524,724
2026	2,394,441
Thereafter	<u>1,441,353</u>
Total	<u>\$ 13,016,606</u>

23. MBTA Paratransit Expenses

The Town participates in an expense reimbursement program provided by the Massachusetts Bay Transportation Authority (MBTA) related to new paratransit service provided in communities currently without paratransit service. The program requires audited financial statement footnote disclosure to document actual costs paid by the community.

The following summarizes payroll expenses paid by the Town during fiscal year 2021 related to the program, and charged to the General Fund Council on Aging appropriation and Council on Aging Transportation Revolving Fund :

<u>Month</u>	<u>Amount</u>
July	\$ 13
August	271
September	147
October	516
November	254
December	222
January	146
February	402
March	354
April	739
May	621
June	<u>773</u>
Total	<u>\$ 4,458</u>

24. Subsequent Events

Management has evaluated subsequent events through April 26, 2022, which is the date the financial statements were available to be issued.

Debt

Subsequent to June 30, 2021 the Town has incurred the following additional debt:

	<u>Amount</u>	<u>Rate</u>	<u>Date of issue</u>	<u>Date of Maturity</u>
Bond anticipation note	\$ 1,000,000	1.00%	8/19/2021	8/19/2022
Bond anticipation note	237,000	0.44%	9/10/2021	9/9/2022
Bond anticipation note	<u>470,000</u>	0.40%	10/29/2021	9/19/2022
	<u>\$ 1,707,000</u>			

25. Change in Accounting Principle

During fiscal year 2021, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. No restatement of beginning net position/fund balance was required.

26. Commitments and Contingencies

COVID-19

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on individuals served by the Town, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

Outstanding Legal Issues

On an ongoing basis, there are typically pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

Abatements

There are cases pending before the Appellate Tax Board in regard to alleged discrepancies in property assessments. According to the Board of Assessors, the probable outcome of these cases, at the present time, is indeterminable, although the Town expects such amounts, if any, to be immaterial.

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

Encumbrances

At year-end the Town's General Fund has \$125,877 in encumbrances that will be honored in the next fiscal year.

27. Beginning Fund Balance Reclassification

The beginning (July 1, 2020) fund balance of the Town has been reclassified as follows:

Fund Basis Financial Statements:

	DPW Facilities <u>Fund</u>	Clyde Brown School <u>Fund</u>	Nonmajor Governmental <u>Funds</u>
As previously reported	\$ -	\$ 1,815,344	\$ 3,580,478
Change in major fund	<u>(327,849)</u>	<u>(1,815,344)</u>	<u>2,143,193</u>
As reclassified	\$ <u><u>(327,849)</u></u>	\$ <u><u>-</u></u>	\$ <u><u>5,723,671</u></u>

28. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, effective for the Town beginning with its fiscal year ending June 30, 2022. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements. Management has not evaluated the effect this standard will have on the financial statements.

TOWN OF MILLIS, MASSACHUSETTS

Required Supplementary Information
General Fund

Schedule of Revenues, Expenditures and Other Sources (Uses) – Budget and Actual
For the Year Ended June 30, 2021

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues				
Property taxes	\$ 27,030,583	\$ 27,030,583	\$ 27,030,583	\$ -
Excises	1,053,756	1,053,756	1,886,421	832,665
Penalties, interest and other taxes	97,786	97,786	192,958	95,172
Charges for services	173,600	173,600	718,533	544,933
Intergovernmental	5,979,706	5,979,706	6,027,959	48,253
Licenses and permits	579,466	579,466	599,365	19,899
Fines and forfeitures	11,000	11,000	3,763	(7,237)
Investment income	15,272	15,272	3,637	(11,635)
Miscellaneous	76,066	76,066	210,568	134,502
Total Revenues	35,017,235	35,017,235	36,673,787	1,656,552
Expenditures				
General government	2,364,306	2,364,879	2,359,889	4,990
Public safety	4,707,836	4,707,836	4,706,509	1,327
Education	17,769,032	17,769,032	17,716,742	52,290
Public works	832,036	832,036	822,735	9,301
Public works - snow and ice	218,727	218,727	297,537	(78,810)
Health and human services	289,094	289,094	288,763	331
Culture and recreation	475,628	475,628	474,993	635
Employee benefits	5,495,990	5,495,990	5,495,990	-
Debt service	3,891,937	3,891,937	3,891,937	-
Intergovernmental	474,425	474,425	474,425	-
Articles	696,337	696,337	696,337	-
Total Expenditures	37,215,348	37,215,921	37,225,857	(9,936)
Excess (Deficiency) of Revenues over Expenditures	(2,198,113)	(2,198,686)	(552,070)	1,646,616
Other Financing Sources (Uses)				
Transfers in	1,048,888	1,048,888	1,048,888	-
Transfers out	(97,447)	(97,447)	(97,447)	-
Use of free cash:				
Operating budget	249,234	249,807	249,807	-
Capital budget	289,289	289,289	289,289	-
Use of restricted fund balance	139,464	139,464	139,464	-
Use of prior year fund balance (carryforwards)	568,685	568,685	568,685	-
Total Other Financing Sources (Uses)	2,198,113	2,198,686	2,198,686	-
Overall Budgetary Excess	\$ -	\$ -	\$ 1,646,616	\$ 1,646,616

See Independent Auditors' Report.

**Notes to the Required Supplemental Information
for General Fund Budget**

Budgetary Basis

The General Fund final appropriation appearing on the previous page represents the final amended budget after all reserve fund transfers and supplemental appropriations.

Budget/GAAP Reconciliation

The budgetary data for the General Fund is based upon accounting principles that differ from Generally Accepted Accounting Principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the General Fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/(Uses)</u>
GAAP Basis	\$ 39,226,938	\$ 38,504,709	\$ 322,965
Record budgeted use of free cash	-	-	539,096
Record budgeted use of restricted fund balance	-	-	139,464
To record use of carryforwards	-	-	568,685
Current year carryforwards and continuing appropriations	-	337,993	-
Reverse effects of combining general fund and stabilization fund (GASB54)	(46,184)	-	-
To reverse unbudgeted GASB 24 Massachusetts Teacher Retirement System contributions	(2,266,563)	(2,266,563)	-
Reclassification of transfers	-	746,518	746,518
Other adjustments	<u>(240,404)</u>	<u>(96,800)</u>	<u>(118,042)</u>
Budgetary Basis	<u>\$ 36,673,787</u>	<u>\$ 37,225,857</u>	<u>\$ 2,198,686</u>

See Independent Auditors' Report.

TOWN OF MILLIS, MASSACHUSETTS

Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability (GASB 68)

(Unaudited)

Norfolk County Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2021	December 31, 2020	2.431700%	\$12,420,019	\$8,630,748	143.90%	70.20%
June 30, 2020	December 31, 2019	2.427700%	\$14,253,350	\$8,338,887	170.93%	64.60%
June 30, 2019	December 31, 2018	2.470100%	\$16,078,879	\$7,548,460	213.01%	58.30%
June 30, 2018	December 31, 2017	2.465000%	\$13,631,557	\$7,293,198	186.91%	63.50%
June 30, 2017	December 31, 2016	2.517100%	\$13,139,831	\$7,263,859	180.89%	61.60%
June 30, 2016	December 31, 2015	2.517064%	\$13,673,007	\$6,886,081	198.56%	58.60%
June 30, 2015	December 31, 2014	2.673889%	\$13,867,460	\$6,536,914	212.14%	60.12%

Massachusetts Teachers' Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town	Total Net Pension Liability Associated with the Town	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2021	June 30, 2020	0.145907%	\$ -	\$ 41,648,847	\$ 41,648,847	\$ 11,184,297	372.39%	50.67%
June 30, 2020	June 30, 2019	0.150581%	\$ -	\$ 37,967,559	\$ 37,967,559	\$ 11,111,427	341.70%	53.95%
June 30, 2019	June 30, 2018	0.148350%	\$ -	\$ 35,175,704	\$ 35,175,704	\$ 10,626,730	331.01%	54.84%
June 30, 2018	June 30, 2017	0.148369%	\$ -	\$ 33,954,875	\$ 33,954,875	\$ 10,159,223	334.23%	54.25%
June 30, 2017	June 30, 2016	0.149593%	\$ -	\$ 33,445,967	\$ 33,445,967	\$ 9,936,074	336.61%	52.73%
June 30, 2016	June 30, 2015	0.152794%	\$ -	\$ 31,306,951	\$ 31,306,951	\$ 9,814,826	318.98%	55.38%
June 30, 2015	June 30, 2014	0.145897%	\$ -	\$ 23,192,239	\$ 23,192,239	\$ 8,945,666	259.26%	61.64%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

TOWN OF MILLIS, MASSACHUSETTS

Required Supplementary Information
Schedule of Pension Contributions (GASB 68)

(Unaudited)

Norfolk County Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Actuarially Determined Contribution</u>	<u>Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2021	December 31, 2020	\$ 1,947,583	\$ 1,947,583	\$ -	\$ 10,830,802	17.98%
June 30, 2020	December 31, 2019	\$ 1,818,303	\$ 1,818,303	\$ -	\$ 10,129,377	17.95%
June 30, 2019	December 31, 2018	\$ 1,728,057	\$ 1,728,057	\$ -	\$ 9,622,247	17.96%
June 30, 2018	December 31, 2017	\$ 1,577,876	\$ 1,577,876	\$ -	\$ 8,938,256	17.65%
June 30, 2017	December 31, 2016	\$ 1,494,769	\$ 1,494,769	\$ -	\$ 8,446,119	17.70%
June 30, 2016	December 31, 2015	\$ 1,355,413	\$ 1,355,413	\$ -	\$ 8,338,266	16.26%
June 30, 2015	December 31, 2014	\$ 1,293,722	\$ 1,293,722	\$ -	\$ 7,844,645	16.49%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Actuarially Determined Contribution Provided by Commonwealth</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2021	June 30, 2020	\$ 2,266,563	\$ 2,266,563	\$ -	\$ 11,579,107	19.57%
June 30, 2020	June 30, 2019	\$ 2,173,955	\$ 2,173,955	\$ -	\$ 11,184,297	19.44%
June 30, 2019	June 30, 2018	\$ 1,950,481	\$ 1,950,481	\$ -	\$ 11,111,427	17.55%
June 30, 2018	June 30, 2017	\$ 1,833,124	\$ 1,833,124	\$ -	\$ 10,626,730	17.25%
June 30, 2017	June 30, 2016	\$ 1,682,301	\$ 1,682,301	\$ -	\$ 10,159,223	16.56%
June 30, 2016	June 30, 2015	\$ 1,561,448	\$ 1,561,448	\$ -	\$ 9,936,074	15.71%
June 30, 2015	June 30, 2014	\$ 1,367,604	\$ 1,367,604	\$ -	\$ 9,814,826	13.93%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

TOWN OF MILLIS, MASSACHUSETTS

Required Supplementary Information
Other Post-Employment Benefits (OPEB)
Schedule of Changes in Net OPEB Liability

(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability					
Service cost	\$ 1,558,617	\$ 1,521,927	\$ 1,407,036	\$ 1,345,204	\$ 1,443,288
Interest	1,130,244	1,134,294	1,067,427	1,268,037	1,049,653
Differences between expected and actual experience	4,171,539	(93,029)	(4,978,489)	-	1
Changes of assumptions	11,218,320	1,234,858	5,436,859	(2,719,027)	-
Benefit payments, including refunds of member contributions	<u>(1,093,893)</u>	<u>(1,028,560)</u>	<u>(952,611)</u>	<u>(899,608)</u>	<u>(856,944)</u>
Net change in total OPEB liability	16,984,827	2,769,490	1,980,222	(1,005,394)	1,635,998
Total OPEB liability - beginning	<u>36,659,087</u>	<u>33,889,597</u>	<u>31,909,375</u>	<u>32,914,769</u>	<u>31,278,771</u>
Total OPEB liability - ending (a)	53,643,914	36,659,087	33,889,597	31,909,375	32,914,769
Plan Fiduciary Net Position					
Contributions - employer	1,093,893	1,028,560	1,002,611	899,608	856,944
Net investment income	44,650	(430)	13,251	5,668	7,573
Benefit payments, including refunds of member contributions	<u>(1,093,893)</u>	<u>(1,028,560)</u>	<u>(952,611)</u>	<u>(899,608)</u>	<u>(856,944)</u>
Net change in plan fiduciary net position	44,650	(430)	63,251	5,668	7,573
Plan fiduciary net position - beginning	<u>177,388</u>	<u>177,818</u>	<u>114,567</u>	<u>108,899</u>	<u>101,326</u>
Plan fiduciary net position - ending (b)	<u>222,038</u>	<u>177,388</u>	<u>177,818</u>	<u>114,567</u>	<u>108,899</u>
Net OPEB liability - ending (a-b)	\$ <u>53,421,876</u>	\$ <u>36,481,699</u>	\$ <u>33,711,779</u>	\$ <u>31,794,808</u>	\$ <u>32,805,870</u>

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

TOWN OF MILLIS, MASSACHUSETTS

Required Supplementary Information
Other Post-Employment Benefits (OPEB)
Schedules of Net OPEB Liability, Contributions, and Investment Returns

(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Net OPEB Liability					
Total OPEB liability	\$ 53,643,914	\$ 36,659,087	\$ 33,889,597	\$ 31,909,375	\$ 32,914,769
Plan fiduciary net position	<u>222,038</u>	<u>177,388</u>	<u>177,818</u>	<u>114,567</u>	<u>108,899</u>
Net OPEB liability	<u>\$ 53,421,876</u>	<u>\$ 36,481,699</u>	<u>\$ 33,711,779</u>	<u>\$ 31,794,808</u>	<u>\$ 32,805,870</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.41%	0.48%	0.52%	0.36%	0.33%
Covered employee payroll	\$ 23,229,509	\$ 22,562,621	\$ 21,905,457	\$ 20,575,755	\$ 19,976,461
Net OPEB liability as a percentage of covered employee payroll	229.97%	161.69%	153.90%	154.53%	164.22%
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Contributions					
Actuarially determined contribution	\$ 3,216,558	\$ 3,328,985	\$ 3,127,127	\$ 3,064,043	\$ 3,034,070
Contributions in relation to the actuarially determined contribution	<u>1,093,893</u>	<u>1,028,560</u>	<u>1,002,611</u>	<u>899,608</u>	<u>856,944</u>
Contribution deficiency (excess)	<u>\$ 2,122,665</u>	<u>\$ 2,300,425</u>	<u>\$ 2,124,516</u>	<u>\$ 2,164,435</u>	<u>\$ 2,177,126</u>
Covered employee payroll	\$ 23,229,509	\$ 22,562,621	\$ 21,905,457	\$ 20,575,755	\$ 19,976,461
Contributions as a percentage of covered employee payroll	4.71%	4.56%	4.58%	4.37%	4.29%
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Investment Returns					
Annual money weighted rate of return, net of investment expense	25.17%	-0.24%	9.25%	5.20%	7.20%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITORS' REPORT

To the Select Board
Town of Millis, Massachusetts

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Millis, Massachusetts (the Town), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated April 26, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a

Merrimack, New Hampshire
Andover, Massachusetts
Greenfield, Massachusetts
Ellsworth, Maine



combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Melanson".

Andover, Massachusetts
April 26, 2022