



**Powers &
Sullivan, LLC**
CPAs AND ADVISORS

TOWN OF BARRE, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2022

TOWN OF BARRE, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2022

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Independent Auditor's Report

To the Honorable Select Board
Town of Barre, Massachusetts

Report on the Audit of the Financial Statements

Opinions

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 Barre, Massachusetts, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Barre, Massachusetts' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Barre, Massachusetts, as of June 30, 2022, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2023, on our consideration of the Town of Barre, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 of Barre, Massachusetts' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Barre, Massachusetts' internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Bowers & Sullivan LLC". The signature is written in a cursive, flowing style.

May 30, 2023

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Barre (Town), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2022. We encourage readers to consider the information presented in this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP) for states and local governmental entities. Users of these financial statements (such as investors, rating agencies and management) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators, and others) can assess the financial condition of one government compared to others.

Financial Highlights

- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent year by \$19.6 million (net position).
- At the close of the current year, the Town's general fund reported an ending fund balance of \$2.5 million, a decrease of \$231,000 in comparison with the prior year. Total fund balance represented 20.3% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. These basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

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

The *statement of activities* presents information showing how the Town's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, education, public works, regulatory, human services, culture and recreation, and interest. The business-type activities include the activities of water and sewer operations.

Fund financial statements A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. 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 governmental-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental 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 Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds The Town maintains one type of proprietary fund.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer 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 statement because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for propriety funds.

The other postemployment benefits trust fund is used to account for assets accumulated to provide funding for future other postemployment benefits liabilities. The private-purpose trust fund is used to account for resources held in trust which principal and investment income exclusively benefit individuals, private organizations, or other governments.

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$19.6 million at the close of 2022.

Net position includes a \$20.6 million investment in capital assets (e.g., land, buildings and building improvements, machinery and equipment and infrastructure), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net position, \$271,000, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* has a year-end deficit balance of \$1.3 million. The primary reason for this deficit balance is the recognition of the \$4.7 million net pension liability, as well as the \$3.7 million net OPEB liability

At the end of the current year, the Town was able to report positive balances in two of the three categories of net position for the Town as a whole, as well as for its separate governmental activities. Its business-type activities report positive balances in all categories.

The governmental activity and business-type activity components of the Town are presented below.

Governmental Activities

The Town's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources for governmental activities by \$12.3 million at the close of 2022.

	<u>2022</u>	<u>2021</u>
Assets:		
Current assets.....	\$ 7,412,193	\$ 7,131,524
Capital assets, nondepreciable.....	770,720	770,720
Capital assets, net of accumulated depreciation....	15,847,974	16,351,852
Total assets.....	<u>24,030,887</u>	<u>24,254,096</u>
Deferred outflows of resources.....	<u>926,400</u>	<u>745,397</u>
Liabilities:		
Current liabilities (excluding debt).....	1,556,679	1,293,682
Noncurrent liabilities (excluding debt).....	7,506,253	7,907,617
Current debt.....	1,184,200	1,413,053
Noncurrent debt.....	750,000	905,000
Total liabilities.....	<u>10,997,132</u>	<u>11,519,352</u>
Deferred inflows of resources.....	<u>1,702,190</u>	<u>885,855</u>
Net position:		
Net investment in capital assets.....	14,684,494	14,804,519
Restricted.....	271,218	327,761
Unrestricted.....	(2,697,747)	(2,537,994)
Total net position.....	<u>\$ 12,257,965</u>	<u>\$ 12,594,286</u>

	2022	2021
Program Revenues:		
Charges for services.....	\$ 816,707	\$ 810,950
Operating grants and contributions.....	483,224	895,539
Capital grants and contributions.....	431,052	431,053
General Revenues:		
Real estate and personal property taxes, net of tax refunds payable.....	9,079,888	8,893,831
Tax liens.....	61,627	-
Motor vehicle and other excise taxes.....	713,579	789,193
Penalties and interest on taxes.....	59,576	70,930
Payments in lieu of taxes.....	215,169	215,169
Grants and contributions not restricted to specific programs.....	1,318,011	1,222,163
Unrestricted investment income.....	27,936	59,626
Total revenues.....	13,206,769	13,388,454
Expenses:		
General government.....	1,369,193	1,181,034
Public safety.....	3,223,872	2,677,048
Education.....	6,406,403	6,356,875
Public works.....	1,495,235	1,437,076
Regulatory.....	140,288	127,149
Human services.....	376,591	678,317
Culture and recreation.....	472,789	457,983
Interest.....	58,719	66,615
Total expenses.....	13,543,090	12,982,097
Change in net position.....	(336,321)	406,357
Net position, beginning of year.....	12,594,286	12,187,929
Net position, end of year.....	\$ 12,257,965	\$ 12,594,286

The governmental expenses totaled \$13.5 million, of which \$1.7 million (13%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$11.5 million, primarily coming from property taxes, motor vehicle excise, and non-restricted state aid.

The governmental net position decreased by \$336,000 during the current year as a result of several offsetting factors. Net position increased due to the receipt of \$431,000 of capital grant revenue from the annual Mass Highway Chapter 90 roadway improvement allotment being recognized. Net position decreased as a result of the net effect of reporting governmental capital assets exceeding principal payments on long-term debt by \$349,000, and an increase in the compensated absences accrual of \$214,000.

Business-type Activities

For the Town's business-type activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$7.3 million at the close of 2022.

	2022	2021
Assets:		
Current assets.....	\$ 3,107,523	\$ 2,908,928
Capital assets, nondepreciable.....	110,305	110,305
Capital assets, net of accumulated depreciation....	7,070,354	7,568,680
Total assets.....	10,288,182	10,587,913
Deferred outflows of resources.....	175,253	156,872
Liabilities:		
Current liabilities (excluding debt).....	107,266	161,915
Noncurrent liabilities (excluding debt).....	1,424,515	1,598,272
Current debt.....	54,121	54,057
Noncurrent debt.....	1,196,519	1,250,640
Total liabilities.....	2,782,421	3,064,884
Deferred inflows of resources.....	359,346	190,471
Net position:		
Net investment in capital assets.....	5,930,019	6,374,288
Unrestricted.....	1,391,649	1,115,142
Total net position.....	\$ 7,321,668	\$ 7,489,430
Program Revenues:		
Charges for services.....	\$ 1,429,552	\$ 1,572,052
Expenses:		
Water.....	479,967	533,242
Sewer.....	1,117,347	1,133,623
Total expenses.....	1,597,314	1,666,865
Change in net position.....	(167,762)	(94,813)
Net position, beginning of year.....	7,489,430	7,584,243
Net position, end of year.....	\$ 7,321,668	\$ 7,489,430

Water net position of \$1.3 million represented the net investment in capital assets while \$1.1 million was unrestricted. Water net position increased by \$57,000 in the current year; this increase was due to a decrease in the net OPEB liability and associated deferred inflows and outflows of resources.

Sewer net position of \$4.7 million represented the net investment in capital assets while \$338,000 was unrestricted. Sewer net position decreased by \$225,000 in the current year, due to depreciation expense.

Financial Analysis of the Government's Funds

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

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

As of the end of the current year, governmental funds reported combined ending fund balances of \$3.4 million, of which \$2.5 million related to the general fund, the deficit balance of \$503,000 related to the Town capital projects fund, \$101,000 related to the Town grants fund, and \$1.3 million was related to the non-major governmental funds. Total fund balances increased by \$114,000 from the prior year.

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund totaled \$2.2 million, while total fund balance was \$2.5 million. Fund balances were committed for continuing appropriations, as well as assigned for encumbrances and carryforwards. Unassigned fund balance represented 18.2% of total general fund expenditures, while total fund balance represented 20.3%.

The Town's general fund decreased by \$231,000 in 2022 primarily due to budgetary results.

The roadway improvement fund expended \$45,000 of state grant funds on Town wide infrastructure projects.

The Town capital projects fund is used to account for the acquisition, construction, or improvement of capital assets. At the end of the current year, total fund balance was a deficit of \$503,000 which will be funded in future years through the issuance of debt.

The Town grants fund is used for various federal and state grants. At the end of the year the fund reported \$788,000 of unearned revenue related to unexpended grant funds.

The nonmajor governmental funds had \$1.3 million of fund balance at year end, a small increase over the prior year.

General Fund Budgetary Highlights

The Town adopts an annual budget for the general fund in conformity with the guidelines described above. The original 2022 approved budget for the general fund authorized \$12.6 million in appropriations and other amounts to be raised, as well as \$653,000 in carryforwards from 2021.

Capital Asset and Debt Administration

Capital Assets In conjunction with the annual operating budget, the Town annually prepares a capital budget for the upcoming year and a five-year Capital Improvement Plan (CIP) that is used as a guide for future capital expenditures.

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2022, amounted to \$23.8 million (net of accumulated depreciation). This investment in capital assets includes buildings and building improvements, machinery and equipment, vehicles, and infrastructure.

The Town invested \$477,000 in governmental capital asset additions during 2022, including the purchase of vehicles, and infrastructure improvements.

Debt Administration Outstanding long-term governmental debt, as of June 30, 2022, totaled \$905,000 million. The governmental gross debt decreased by \$155,000 due to principal payments.

Outstanding long-term debt of the sewer enterprise fund, as of June 30, 2022, totaled \$911,000. The sewer debt decreased \$38,000 which was entirely due to principal payments.

Outstanding long-term debt of the water enterprise fund, as of June 30, 2022, totaled \$339,000. The water debt decreased \$16,000 which was entirely due to principal payments.

The Town had \$1 million in outstanding bond anticipation notes (BAN) at year-end, which were for the Town Common project, roads, and drainage, as well as other Town capital projects.

Please refer to the notes to the basic financial statements for further discussion of the major capital and debt activity.

Requests for Information

This financial report is designed to provide a general overview of the Town of Barre'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 the Town Administrator, Henry Woods Building, 40 West Street, Barre, Massachusetts 01005.

Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2022

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 4,273,611	\$ 2,374,536	\$ 6,648,147
Investments.....	1,299,313	-	1,299,313
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	235,073	-	235,073
Tax liens.....	364,400	-	364,400
Motor vehicle and other excise taxes.....	122,870	-	122,870
User charges.....	-	732,987	732,987
Departmental and other.....	167,326	-	167,326
Intergovernmental.....	751,027	-	751,027
Tax foreclosures.....	198,573	-	198,573
Total current assets.....	<u>7,412,193</u>	<u>3,107,523</u>	<u>10,519,716</u>
NONCURRENT:			
Capital assets, nondepreciable.....	770,720	110,305	881,025
Capital assets, net of accumulated depreciation.....	<u>15,847,974</u>	<u>7,070,354</u>	<u>22,918,328</u>
Total noncurrent assets.....	<u>16,618,694</u>	<u>7,180,659</u>	<u>23,799,353</u>
TOTAL ASSETS.....	<u>24,030,887</u>	<u>10,288,182</u>	<u>34,319,069</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	551,506	77,349	628,855
Deferred outflows related to other postemployment benefits.....	<u>374,894</u>	<u>97,904</u>	<u>472,798</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	<u>926,400</u>	<u>175,253</u>	<u>1,101,653</u>
LIABILITIES			
CURRENT:			
Warrants payable.....	150,355	16,040	166,395
Accrued payroll.....	44,276	8,376	52,652
Accrued interest.....	-	30,122	30,122
Other liabilities.....	268,034	-	268,034
Unearned revenue.....	788,252	-	788,252
Compensated absences.....	305,762	52,728	358,490
Notes payable.....	1,029,200	-	1,029,200
Bonds payable.....	<u>155,000</u>	<u>54,121</u>	<u>209,121</u>
Total current liabilities.....	<u>2,740,879</u>	<u>161,387</u>	<u>2,902,266</u>
NONCURRENT:			
Compensated absences.....	458,644	79,090	537,734
Net pension liability.....	4,094,821	574,302	4,669,123
Net other postemployment benefits liability.....	2,952,788	771,123	3,723,911
Bonds payable.....	<u>750,000</u>	<u>1,196,519</u>	<u>1,946,519</u>
Total noncurrent liabilities.....	<u>8,256,253</u>	<u>2,621,034</u>	<u>10,877,287</u>
TOTAL LIABILITIES.....	<u>10,997,132</u>	<u>2,782,421</u>	<u>13,779,553</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions.....	704,566	98,816	803,382
Deferred inflows related to other postemployment benefits.....	<u>997,624</u>	<u>260,530</u>	<u>1,258,154</u>
TOTAL DEFERRED INFLOWS OF RESOURCES.....	<u>1,702,190</u>	<u>359,346</u>	<u>2,061,536</u>
NET POSITION			
Net investment in capital assets.....	14,684,494	5,930,019	20,614,513
Restricted for:			
Permanent funds:			
Expendable.....	65,778	-	65,778
Nonexpendable.....	102,658	-	102,658
Gifts and grants.....	102,782	-	102,782
Unrestricted.....	<u>(2,697,747)</u>	<u>1,391,649</u>	<u>(1,306,098)</u>
TOTAL NET POSITION.....	<u>\$ 12,257,965</u>	<u>\$ 7,321,668</u>	<u>\$ 19,579,633</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 1,369,193	\$ 100,462	\$ 149,632	\$ -	\$ (1,119,099)
Public safety.....	3,223,872	686,798	101,523	-	(2,435,551)
Education.....	6,406,403	-	-	-	(6,406,403)
Public works.....	1,495,235	2,920	79,370	431,052	(981,893)
Regulatory.....	140,288	16,511	-	-	(123,777)
Human services.....	376,591	10,016	91,739	-	(274,836)
Culture and recreation.....	472,789	-	60,960	-	(411,829)
Interest.....	58,719	-	-	-	(58,719)
Total Governmental Activities.....	13,543,090	816,707	483,224	431,052	(11,812,107)
<i>Business-Type Activities:</i>					
Water.....	479,967	536,772	-	-	56,805
Sewer.....	1,117,347	892,780	-	-	(224,567)
Total Business-Type Activities.....	1,597,314	1,429,552	-	-	(167,762)
Total Primary Government.....	\$ 15,140,404	\$ 2,246,259	\$ 483,224	\$ 431,052	\$ (11,979,869)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (11,812,107)	\$ (167,762)	\$ (11,979,869)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	9,079,888	-	9,079,888
Tax liens.....	61,627	-	61,627
Motor vehicle and other excise taxes.....	713,579	-	713,579
Penalties and interest on taxes.....	59,576	-	59,576
Payments in lieu of taxes.....	215,169	-	215,169
Grants and contributions not restricted to specific programs.....	1,318,011	-	1,318,011
Unrestricted investment income.....	27,936	-	27,936
Total general revenues.....	<u>11,475,786</u>	<u>-</u>	<u>11,475,786</u>
Change in net position.....	(336,321)	(167,762)	(504,083)
<i>Net position:</i>			
Beginning of year.....	<u>12,594,286</u>	<u>7,489,430</u>	<u>20,083,716</u>
End of year.....	<u>\$ 12,257,965</u>	<u>\$ 7,321,668</u>	<u>\$ 19,579,633</u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2022

	General	Roadway Improvement	Town Capital Projects	Town Grants	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents.....	\$ 1,423,635	\$ -	\$ 211,786	\$ 841,222	\$ 1,796,968	\$ 4,273,611
Investments.....	1,138,328	-	-	-	160,985	1,299,313
Receivables, net of uncollectibles:						
Real estate and personal property taxes.....	235,073	-	-	-	-	235,073
Tax liens.....	364,400	-	-	-	-	364,400
Motor vehicle and other excise taxes.....	122,870	-	-	-	-	122,870
Departmental and other.....	-	-	-	-	167,326	167,326
Intergovernmental.....	-	702,472	-	48,555	-	751,027
Tax foreclosures.....	198,573	-	-	-	-	198,573
Other assets.....	28,049	-	-	-	-	28,049
TOTAL ASSETS.....	<u>\$ 3,510,928</u>	<u>\$ 702,472</u>	<u>\$ 211,786</u>	<u>\$ 889,777</u>	<u>\$ 2,125,279</u>	<u>\$ 7,440,242</u>
LIABILITIES						
Warrants payable.....	\$ 97,646	\$ -	\$ -	\$ 271	\$ 52,438	\$ 150,355
Accrued payroll.....	41,979	-	-	-	2,297	44,276
Other liabilities.....	18,606	-	-	-	277,477	296,083
Unearned revenue.....	-	-	-	788,252	-	788,252
Notes payable.....	-	-	714,800	-	314,400	1,029,200
TOTAL LIABILITIES.....	<u>158,231</u>	<u>-</u>	<u>714,800</u>	<u>788,523</u>	<u>646,612</u>	<u>2,308,166</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue.....	875,907	702,472	-	-	167,326	1,745,705
FUND BALANCES						
Nonspendable.....	-	-	-	-	99,333	99,333
Restricted.....	-	-	-	101,254	1,489,531	1,590,785
Committed.....	230,332	-	-	-	-	230,332
Assigned.....	21,538	-	-	-	-	21,538
Unassigned.....	2,224,920	-	(503,014)	-	(277,523)	1,444,383
TOTAL FUND BALANCES.....	<u>2,476,790</u>	<u>-</u>	<u>(503,014)</u>	<u>101,254</u>	<u>1,311,341</u>	<u>3,386,371</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	<u>\$ 3,510,928</u>	<u>\$ 702,472</u>	<u>\$ 211,786</u>	<u>\$ 889,777</u>	<u>\$ 2,125,279</u>	<u>\$ 7,440,242</u>

See notes to basic financial statements.

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

JUNE 30, 2022

Total governmental fund balances.....	\$	3,386,371
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		16,618,694
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		1,745,705
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....		(775,790)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(905,000)	
Net pension liability.....	(4,094,821)	
Net other postemployment benefits liability.....	(2,952,788)	
Compensated absences.....	<u>(764,406)</u>	
Net effect of reporting long-term liabilities.....		<u>(8,717,015)</u>
Net position of governmental activities.....	\$	<u>12,257,965</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2022

	General	Roadway Improvement	Town Capital Projects	Town Grants	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:						
Real estate and personal property taxes, net of tax refunds.....	\$ 9,189,525	\$ -	\$ -	\$ -	\$ -	\$ 9,189,525
Tax liens.....	22,116	-	-	-	-	22,116
Motor vehicle and other excise taxes.....	807,327	-	-	-	-	807,327
Charges for services.....	-	-	-	-	542,077	542,077
Penalties and interest on taxes.....	59,576	-	-	-	-	59,576
Fees and rentals.....	143,946	-	-	-	-	143,946
Payments in lieu of taxes.....	215,169	-	-	-	-	215,169
Licenses and permits.....	106,952	-	-	2,655	-	109,607
Intergovernmental - state aid.....	1,150,006	-	-	-	-	1,150,006
Intergovernmental.....	2,266	45,255	-	266,660	15,571	329,752
Departmental and other.....	48,388	-	-	-	209,612	258,000
Contributions and donations.....	-	-	-	7,498	126,611	134,109
Investment income.....	25,752	-	-	-	2,184	27,936
TOTAL REVENUES.....	11,771,023	45,255	-	276,813	896,055	12,989,146
EXPENDITURES:						
Current:						
General government.....	905,210	-	30,845	64,362	70,430	1,070,847
Public safety.....	2,344,754	-	-	59,292	171,437	2,575,483
Education.....	6,166,618	-	-	-	-	6,166,618
Public works.....	968,603	45,255	-	22,576	22,669	1,059,103
Regulatory.....	118,650	-	-	-	13,324	131,974
Human services.....	175,608	-	-	105,332	14,335	295,275
Culture and recreation.....	285,669	-	-	14,243	37,427	337,339
Insurance and benefits.....	1,008,026	-	-	-	-	1,008,026
State and county charges.....	16,414	-	-	-	-	16,414
Debt service:						
Principal.....	155,000	-	-	-	-	155,000
Interest.....	58,719	-	-	-	-	58,719
TOTAL EXPENDITURES.....	12,203,271	45,255	30,845	265,805	329,622	12,874,798
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(432,248)	-	(30,845)	11,008	566,433	114,348
OTHER FINANCING SOURCES (USES):						
Transfers in.....	430,000	-	168,853	-	60,000	658,853
Transfers out.....	(228,853)	-	-	(5,000)	(425,000)	(658,853)
TOTAL OTHER FINANCING SOURCES (USES)...	201,147	-	168,853	(5,000)	(365,000)	-
NET CHANGE IN FUND BALANCES.....	(231,101)	-	138,008	6,008	201,433	114,348
FUND BALANCES AT BEGINNING OF YEAR.....	2,707,891	-	(641,022)	95,246	1,109,908	3,272,023
FUND BALANCES AT END OF YEAR.....	\$ 2,476,790	\$ -	\$ (503,014)	\$ 101,254	\$ 1,311,341	\$ 3,386,371

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2022

Net change in fund balances - total governmental funds.....	\$	114,348
<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.....	477,170	
Depreciation expense.....	<u>(981,048)</u>	
Net effect of reporting capital assets.....		(503,878)
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		217,623
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p>		
Debt service principal payments.....		155,000
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	(213,616)	
Net change in deferred outflow/(inflow) of resources related to pensions.....	(124,387)	
Net change in net pension liability.....	7,389	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits..	(510,945)	
Net change in net other postemployment benefits liability.....	<u>522,145</u>	
Net effect of recording long-term liabilities.....		<u>(319,414)</u>
Change in net position of governmental activities.....	\$	<u><u>(336,321)</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2022

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 1,367,997	\$ 1,006,539	\$ 2,374,536
Receivables, net of allowance for uncollectibles:			
User charges.....	329,511	403,476	732,987
Total current assets.....	1,697,508	1,410,015	3,107,523
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Capital assets, non depreciable.....	102,805	7,500	110,305
Capital assets, net of accumulated depreciation.....	1,496,860	5,573,494	7,070,354
Total noncurrent assets.....	1,599,665	5,580,994	7,180,659
TOTAL ASSETS.....	3,297,173	6,991,009	10,288,182
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	30,499	46,850	77,349
Deferred outflows related to other postemployment benefits.....	38,595	59,309	97,904
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	69,094	106,159	175,253
LIABILITIES			
CURRENT:			
Warrants payable.....	5,743	10,297	16,040
Accrued payroll.....	4,591	3,785	8,376
Accrued interest.....	-	30,122	30,122
Compensated absences.....	12,244	40,484	52,728
Bonds payable.....	15,820	38,301	54,121
Total current liabilities.....	38,398	122,989	161,387
NONCURRENT:			
Compensated absences.....	18,365	60,725	79,090
Net pension liability.....	226,452	347,850	574,302
Net other postemployment benefits liability.....	303,987	467,136	771,123
Bonds payable.....	323,566	872,953	1,196,519
Total noncurrent liabilities.....	872,370	1,748,664	2,621,034
TOTAL LIABILITIES.....	910,768	1,871,653	2,782,421
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions.....	38,964	59,852	98,816
Deferred inflows related to other postemployment benefits.....	102,704	157,826	260,530
TOTAL DEFERRED INFLOWS OF RESOURCES.....	141,668	217,678	359,346
NET POSITION			
Net investment in capital assets.....	1,260,279	4,669,740	5,930,019
Unrestricted.....	1,053,552	338,097	1,391,649
TOTAL NET POSITION.....	\$ 2,313,831	\$ 5,007,837	\$ 7,321,668

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2022

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
OPERATING REVENUES:			
Charges for services.....	\$ 536,772	\$ 892,780	\$ 1,429,552
OPERATING EXPENSES:			
Cost of services and administration.....	201,807	405,313	607,120
Salaries and wages.....	185,174	252,336	437,510
Depreciation.....	78,990	419,336	498,326
TOTAL OPERATING EXPENSES.....	465,971	1,076,985	1,542,956
OPERATING INCOME (LOSS).....	70,801	(184,205)	(113,404)
NONOPERATING REVENUES (EXPENSES):			
Interest expense.....	(13,996)	(40,362)	(54,358)
CHANGE IN NET POSITION.....	56,805	(224,567)	(167,762)
NET POSITION AT BEGINNING OF YEAR.....	2,257,026	5,232,404	7,489,430
NET POSITION AT END OF YEAR.....	\$ 2,313,831	\$ 5,007,837	\$ 7,321,668

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2022

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Receipts from customers and users.....	\$ 601,113	\$ 886,196	\$ 1,487,309
Payments to vendors.....	(302,400)	(391,806)	(694,206)
Payments to employees.....	(181,093)	(245,985)	(427,078)
NET CASH FROM OPERATING ACTIVITIES.....	117,620	248,405	366,025
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
Principal payments on bonds and notes.....	(15,756)	(38,301)	(54,057)
Interest expense.....	(13,996)	(41,620)	(55,616)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(29,752)	(79,921)	(109,673)
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	87,868	168,484	256,352
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	1,280,129	838,055	2,118,184
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 1,367,997	\$ 1,006,539	\$ 2,374,536
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u>			
<u>FROM OPERATING ACTIVITIES:</u>			
Operating income (loss).....	\$ 70,801	\$ (184,205)	\$ (113,404)
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation.....	78,990	419,336	498,326
Deferred (outflows)/inflows related to pensions.....	6,642	10,465	17,107
Deferred (outflows)/inflows related to other postemployment benefits.....	51,875	81,512	133,387
Changes in assets and liabilities:			
User charges.....	64,341	(6,584)	57,757
Warrants payable.....	(48,395)	(1,893)	(50,288)
Accrued payroll.....	(4,213)	(7,915)	(12,128)
Compensated absences.....	8,294	14,266	22,560
Net pension liability.....	(34,426)	(15,110)	(49,536)
Net other postemployment benefits liability.....	(76,289)	(61,467)	(137,756)
Total adjustments.....	46,819	432,610	479,429
NET CASH FROM OPERATING ACTIVITIES.....	\$ 117,620	\$ 248,405	\$ 366,025

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2022

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds
ASSETS		
Cash and cash equivalents.....	\$ 191	\$ -
Investments:		
Equity securities.....	44,111	135,768
Fixed income.....	30,626	-
TOTAL ASSETS.....	74,928	135,768
NET POSITION		
Restricted for other postemployment benefits.....	74,928	-
Held in trust for other purposes.....	-	135,768
TOTAL NET POSITION.....	\$ 74,928	\$ 135,768

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2022

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer contributions.....	\$ 25,000	\$ -
Employer contributions for other postemployment benefit payments.....	98,689	-
Total contributions.....	123,689	-
Net investment income (loss):		
Investment income (loss).....	(3,516)	(60,087)
TOTAL ADDITIONS.....	120,173	(60,087)
DEDUCTIONS:		
Other postemployment benefit payments.....	98,689	-
Educational scholarships.....	-	1,750
TOTAL DEDUCTIONS.....	98,689	1,750
NET INCREASE (DECREASE) IN NET POSITION.....	21,484	(61,837)
NET POSITION AT BEGINNING OF YEAR.....	53,444	197,605
NET POSITION AT END OF YEAR.....	\$ 74,928	\$ 135,768

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town is a municipal corporation that is governed by an elected Select Board (the Board).

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

Joint Venture

A joint venture is an organization (resulting from a contractual arrangement) that is owned, operated and governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture. The Town participates in the following joint ventures with other municipalities to pool resources and share the costs, risks, and rewards of providing goods and services to venture participants directly, or for the benefit of the general public or specified recipients.

Quabbin Regional School District

The Town is a member of the Quabbin Regional School District (District) which provides for the education of all levels of schools for the Town's students. The members share in the operations of the District and each member is responsible for its proportionate share of the operational and capital cost of the District, which are paid in the form of assessments. The Town does not have an equity interest in the District and the 2022 assessment was \$5,819,937. Separate financial statements may be obtained by contacting the District at 872 South Street, Barre, MA 01005.

Montachusett Regional Vocational Technical School

The Town is a member of the Montachusett Regional Vocational Technical School (MRVTS) which serves students seeking an education in academic, technical, and agricultural studies. The MRVTS is governed by a 22-member school committee consisting of one elected representative from the Town. The Town is indirectly liable for the MRVTS' debt and other expenditures and is assessed annually for its share of operating and capital costs. The Town does not have an equity interest in the MRVTS. For the year ended June 30, 2022, the Town's assessment totaled \$346,681. Separate financial statements may be obtained by contacting the Treasurer of the MRVTS at 1050 Westminster Street, Fitchburg, MA 01420.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

Major Fund Criteria

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

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

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

Fiduciary funds are reported by fund type.

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

Government-Wide Financial Statements

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

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

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.

- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

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

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

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

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

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

The following major governmental funds are reported:

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

The *roadway improvement fund* is used to account for the Town's infrastructure improvements under the State's chapter 90 program.

The *Town capital projects fund* is used to account for construction and other capital acquisition activity for the Town.

The *Town grant fund* is used to account for activity specially financed by federal, state, and other grants.

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements.

The following describes the general use of these fund types:

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principle ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major proprietary funds are reported:

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

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

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting, except for agency funds which have no measurement focus. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

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

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

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Fair Value Measurements

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

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

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

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

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

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the Town's financial instruments, see Note 2 – Cash and Investments.

F. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes and Tax Liens

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

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

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

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

Motor Vehicle Excise

Motor vehicle excise taxes are assessed annually for each vehicle registered and are recorded as receivables in the year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

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

Water and Sewer User Charges and Utility Liens

User fees are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and sewer liens are processed approximately six months after the end of the year and are included as a lien on the property owner's tax bill. Water and sewer charges and liens are recorded as receivables in the year of the levy.

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

Departmental and Other

Departmental and other receivables consist primarily of amounts due from ambulance charges. These receivables are recorded when the applicable service has been performed.

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

Intergovernmental

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

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

G. Inventories

Government-Wide and Fund Financial Statements

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

H. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which include land, land improvements, buildings and improvements, machinery and equipment, vehicles, infrastructure (e.g., roads, treatment plants, pump stations, sewer mains and similar items) and construction-in-progress, are reported in the applicable governmental or business-type activity column of the government-wide financial statements and in the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

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

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Buildings and improvements.....	5 - 40
Machinery and equipment.....	5 - 10
Vehicles.....	5 - 10
Infrastructure.....	20 - 40

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

Governmental Fund Financial Statements

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

I. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

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

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

Governmental Fund Financial Statements

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

J. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

K. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

L. Unavailable Revenue

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

M. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

Net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets. Outstanding debt related to future reimbursements from the state’s school building program is not considered to be capital related debt.

Net position is reported as restricted when amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net position has been “restricted for” the following:

“Permanent funds – expendable” represents the amount of realized and unrealized investment earnings of donor restricted trusts. The donor restrictions and trustee policies only allow the trustees to approve spending of the realized investment earnings that support governmental programs.

“Permanent funds – nonexpendable” represents amounts held in trust for which only investment earnings may be expended.

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

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

Fund Financial Statements (Fund Balances)

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

The governmental fund balance classifications are as follows:

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

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

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of Town Meeting.

“Assigned” fund balance includes amounts that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed.

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

The Town’s spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds are designated for one purpose at the time of their creation. Therefore, any expenditure from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

N. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

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

O. Pensions

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

P. Investment Income

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

Q. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies. Compensated absences liabilities related to both governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

R. Use of Estimates*Government-Wide and Fund Financial Statements*

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

S. Total Column*Government-Wide Financial Statements*

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

Fund Financial Statements

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

T. Individual Fund Deficits

Several individual fund deficits exist at June 30, 2022, within the Town capital projects funds. These deficits will be funded through grant proceeds, long-term debt issuances, and other available funds.

NOTE 2 – CASH AND INVESTMENTS

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

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth. The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

The Town Treasurer is the custodian of funds held in the Other Postemployment Benefit (OPEB) Trust Fund. As of June 30, 2022, \$74,928, from the OPEB Trust Fund is included within the Town's cash and investment balances in the following disclosures.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town’s policy is to minimize custodial credit risk by only investing in highly rated banks, which is determined through the utilization of a bank rating service. At year-end, the carrying amount of deposits totaled \$6,625,038 and the bank balance totaled \$6,843,309. Of the bank balance, \$531,272 was covered by Federal Depository Insurance, \$6,312,037 was covered by the Depositor’s Insurance Fund.

Investments

As of June 30, 2022, the Town had the following investments:

<u>Investment Type</u>	<u>Fair value</u>	<u>Maturities</u>	
		<u>Under 1 Year</u>	<u>1-5 Years</u>
<u>Debt securities:</u>			
U.S. treasury notes.....	\$ 254,892	\$ 90,139	\$ 164,753
Government sponsored enterprises...	99,124	30,008	69,116
Corporate bonds.....	586,440	-	586,440
Total debt securities.....	940,456	\$ 120,147	\$ 820,309
<u>Other investments:</u>			
Equity securities.....	436,048		
Fixed Income.....	133,314		
Money market mutual funds.....	23,300		
Total investments.....	\$ 1,533,118		

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Town’s investments in debt securities are exposed to custodial credit risk because the related securities are uninsured, unregistered and held by the counterparty.

The Town’s investment policy states that there is no limit to the amount of United States Treasury and United States Government Agency obligations. In regard to fixed-income investments, the Town will only purchase investment grade securities. Lower quality investments may only be held through diversified vehicles, such as mutual funds or exchange-traded funds. Investments in fixed income securities will be made primarily for income and capital preservation.

Interest Rate Risk

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect the fair value of the Town’s investments. The Town does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Town has not adopted a formal policy related to Credit Risk. The investment ratings were as follows:

<u>Quality Rating</u>	<u>Government Sponsored Enterprises</u>	<u>Corporate Bonds</u>
AAA.....	\$ 22,918	\$ -
AA+.....	76,206	-
A+.....	-	177,547
A.....	-	57,490
A-.....	-	113,020
BBB+.....	-	118,832
BBB.....	-	119,551
 Total.....	 \$ <u>99,124</u>	 \$ <u>586,440</u>

Concentration of Credit Risk

The Town will minimize the concentration of credit risk by diversifying the investment portfolio, so that the impact of potential losses from any one type of security or issuer will be minimized. The Town did not have more than 5% of its investments in any one individual security.

Fair Value of Investments

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

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

The following table presents financial assets at June 30, 2022, that the Town measures fair value on a recurring basis, by level, within the fair value hierarchy:

Investment Type	June 30, 2022	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value:				
<u>Debt securities:</u>				
U.S. treasury notes.....	\$ 254,892	\$ 254,892	\$ -	\$ -
Government sponsored enterprises.....	99,124	99,124	-	-
Corporate bonds.....	586,440	-	586,440	-
Total debt securities.....	940,456	354,016	586,440	-
<u>Other investments:</u>				
Equity securities.....	436,048	436,048	-	-
Fixed Income.....	133,314	133,314	-	-
Money market mutual funds.....	23,300	23,300	-	-
Total other investments.....	592,662	592,662	-	-
Total investments measured at fair value.....	\$ 1,533,118	\$ 946,678	\$ 586,440	\$ -

U.S. treasury notes, governmental sponsored enterprises, equity securities, fixed income, and money market mutual funds classified in Level 1 of the fair value hierarchy are values using prices quoted in active markets for those securities. Corporate bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

NOTE 3 – RECEIVABLES

At June 30, 2022, receivables for the individual major and non-major governmental funds including the applicable allowances for uncollectible accounts were as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 255,073	\$ (20,000)	\$ 235,073
Tax liens.....	364,400	-	364,400
Motor vehicle and other excise taxes.....	175,970	(53,100)	122,870
Departmental and other.....	215,026	(47,700)	167,326
Intergovernmental.....	751,027	-	751,027
 Total.....	 \$ <u>1,761,496</u>	 \$ <u>(120,800)</u>	 \$ <u>1,640,696</u>

At June 30, 2022, receivables for the sewer and water enterprise funds were as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water user charges.....	\$ 329,511	\$ -	\$ 329,511
Sewer user charges.....	403,476	-	403,476
 Total.....	 \$ <u>732,987</u>	 \$ <u>-</u>	 \$ <u>732,987</u>

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

	General Fund	Other Governmental Funds	Total
<u>Receivables and other asset types:</u>			
Real estate and personal property taxes.....	\$ 190,064	\$ -	\$ 190,064
Tax liens.....	364,400	-	364,400
Motor vehicle and other excise taxes.....	122,870	-	122,870
Departmental and other.....	-	167,326	167,326
Intergovernmental.....	-	702,472	702,472
Tax foreclosures.....	198,573	-	198,573
 Total.....	 \$ <u>875,907</u>	 \$ <u>869,798</u>	 \$ <u>1,745,705</u>

NOTE 4 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 770,720	\$ -	\$ -	\$ 770,720
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	16,902,317	22,000	-	16,924,317
Machinery and equipment.....	797,361	-	-	797,361
Vehicles.....	2,780,610	379,070	-	3,159,680
Infrastructure.....	9,109,147	76,100	-	9,185,247
Total capital assets being depreciated.....	29,589,435	477,170	-	30,066,605
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(7,911,520)	(462,850)	-	(8,374,370)
Machinery and equipment.....	(731,648)	(30,882)	-	(762,530)
Vehicles.....	(1,958,583)	(167,529)	-	(2,126,112)
Infrastructure.....	(2,635,832)	(319,787)	-	(2,955,619)
Total accumulated depreciation.....	(13,237,583)	(981,048)	-	(14,218,631)
Total capital assets being depreciated, net.....	16,351,852	(503,878)	-	15,847,974
Total governmental activities capital assets, net.....	\$ 17,122,572	\$ (503,878)	\$ -	\$ 16,618,694
Sewer:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 7,500	\$ -	\$ -	\$ 7,500
<u>Capital assets being depreciated:</u>				
Machinery and equipment.....	17,406	-	-	17,406
Vehicles.....	49,158	-	-	49,158
Infrastructure.....	17,261,906	-	-	17,261,906
Total capital assets being depreciated.....	17,328,470	-	-	17,328,470
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(17,021)	(870)	-	(17,891)
Vehicles.....	(44,309)	(4,916)	-	(49,225)
Infrastructure.....	(11,274,310)	(413,550)	-	(11,687,860)
Total accumulated depreciation.....	(11,335,640)	(419,336)	-	(11,754,976)
Total capital assets being depreciated, net.....	5,992,830	(419,336)	-	5,573,494
Total sewer activities capital assets, net.....	\$ 6,000,330	\$ (419,336)	\$ -	\$ 5,580,994

	Beginning Balance	Increases	Decreases	Ending Balance
Water:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 102,805	\$ -	\$ -	\$ 102,805
<u>Capital assets being depreciated:</u>				
Vehicles.....	49,159	-	-	49,159
Infrastructure.....	2,635,555	-	-	2,635,555
Total capital assets being depreciated.....	2,684,714	-	-	2,684,714
<u>Less accumulated depreciation for:</u>				
Vehicles.....	(44,175)	(4,916)	-	(49,091)
Infrastructure.....	(1,064,689)	(74,074)	-	(1,138,763)
Total accumulated depreciation.....	(1,108,864)	(78,990)	-	(1,187,854)
Total capital assets being depreciated, net.....	1,575,850	(78,990)	-	1,496,860
Total water activities capital assets, net.....	\$ 1,678,655	\$ (78,990)	\$ -	\$ 1,599,665

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

Governmental Activities:

General government.....	\$ 71,623
Public safety.....	234,762
Education.....	239,785
Public works.....	337,926
Human services.....	27,018
Culture and recreation.....	69,934
Total depreciation expense - governmental activities.....	\$ 981,048

Business-Type Activities:

Water.....	\$ 78,990
Sewer.....	419,336
Total depreciation expense - business-type activities.....	\$ 498,326

NOTE 5 – INTERFUND TRANSFERS

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

Transfers Out:	Transfers In:			
	General fund	Town capital projects	Nonmajor governmental funds	Total
General fund.....	\$ -	\$ 168,853	\$ 60,000	\$ 228,853 (1)
Town grants.....	5,000	-	-	5,000 (2)
Nonmajor governmental funds....	425,000	-	-	425,000 (2)
Total.....	\$ 430,000	\$ 168,853	\$ 60,000	\$ 658,853

1. Budgeted transfers to the Town capital projects fund and nonmajor governmental funds for BAN paydowns and ambulance.
2. Budgeted transfer from Town grants and the nonmajor ambulance receipts reserved for appropriation fund to support the operating budget.

NOTE 6 – SHORT-TERM FINANCING

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

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

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

Details related to the short-term debt activity for the year ended June 30, 2022, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2021	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2022
Governmental Funds:							
BAN	Municipal Purpose.....	0.40%	8/20/2022	1,258,053	\$ -	\$ (1,258,053)	\$ -
BAN	Municipal Purpose.....	2.00%	8/19/2022	-	1,029,200	-	1,029,200
Total Governmental Funds.....				\$ 1,258,053	\$ 1,029,200	\$ (1,258,053)	\$ 1,029,200

NOTE 7 – LONG-TERM DEBT

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

Details related to the outstanding indebtedness at June 30, 2022, and the debt service requirements were as follows:

Bonds Payable – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2022
General obligation bonds:				
School Bonds.....	2030	\$ 1,153,672	3.50	\$ 600,000
Direct borrowings:				
State House Note Town Common.....	2026	785,715	3.25	305,000
Total Bonds Payable.....				\$ 905,000

Debt service requirements for principal and interest for governmental general obligation bonds and direct borrowings payable in future years were as follows:

Year	General Obligation Bonds:			Direct Borrowings:		
	Principal	Interest	Total	Principal	Interest	Total
2023.....	\$ 75,000	\$ 20,249	\$ 95,249	\$ 80,000	\$ 8,614	\$ 88,614
2024.....	75,000	17,999	92,999	75,000	6,095	81,095
2025.....	75,000	15,562	90,562	75,000	3,657	78,657
2026.....	75,000	12,938	87,938	75,000	1,219	76,219
2027.....	75,000	10,313	85,313	-	-	-
2028.....	75,000	7,500	82,500	-	-	-
2029.....	75,000	4,500	79,500	-	-	-
2030.....	75,000	1,500	76,500	-	-	-
Total.....	\$ 600,000	\$ 90,561	\$ 690,561	\$ 305,000	\$ 19,585	\$ 324,585

Bonds Payable – Sewer Enterprise Fund

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2022
Direct borrowings:				
USDA Rural Development Sewer Bond of 2004.....	2045	\$ 501,600	4.50	\$ 288,420
USDA Rural Development Sewer Bond of 2006.....	2046	825,000	4.38	507,690
USDA Rural Development Sewer Bond of 2006.....	2047	184,250	4.13	115,144
Total Bonds Payable.....				\$ 911,254

Debt service requirements for principal and interest for sewer enterprise fund direct borrowing bonds payable in future years were as follows:

Year	Direct Borrowings:		
	Principal	Interest	Total
2023.....	\$ 38,301	\$ 39,940	\$ 78,241
2024.....	38,301	38,261	76,562
2025.....	38,301	36,580	74,881
2026.....	38,301	34,901	73,202
2027.....	38,301	33,221	71,522
2028.....	38,301	31,541	69,842
2029.....	38,301	29,862	68,163
2030.....	38,301	28,181	66,482
2031.....	38,301	26,522	64,823
2032.....	38,301	24,821	63,122
2033.....	38,301	23,143	61,444
2034.....	38,301	21,462	59,763
2035.....	38,301	19,782	58,083
2036.....	38,301	18,102	56,403
2037.....	38,301	16,423	54,724
2038.....	38,301	14,742	53,043
2039.....	38,301	13,063	51,364
2040.....	38,301	11,383	49,684
2041.....	38,301	9,704	48,005
2042.....	38,301	8,023	46,324
2043.....	38,301	6,344	44,645
2044.....	38,301	4,664	42,965
2045.....	38,301	2,984	41,285
2046.....	25,755	1,304	27,059
2047.....	4,576	189	4,765
Total.....	\$ 911,254	\$ 495,142	\$ 1,406,396

Bonds Payable – Water Enterprise Fund

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2022
Direct borrowings:				
Farmer's Home Loan - Water Tank.....	2045	\$ 500,000	4.25%	\$ 294,874
MCWT - Well Project.....	2033	63,800	2.00%	44,512
Total Bonds Payable.....				\$ 339,386

Debt service requirements for principal and interest for water enterprise fund direct borrowing bonds and notes payable in future years were as follows:

Year	Direct Borrowings:		
	Principal	Interest	Total
2023.....	\$ 15,820	\$ 12,532	\$ 28,352
2024.....	15,885	11,987	27,872
2025.....	15,952	11,442	27,394
2026.....	16,020	10,897	26,917
2027.....	16,089	10,352	26,441
2028.....	16,160	9,807	25,967
2029.....	16,233	9,262	25,495
2030.....	16,307	8,717	25,024
2031.....	16,383	8,173	24,556
2032.....	16,461	7,628	24,089
2033.....	16,541	7,083	23,624
2034.....	16,621	6,538	23,159
2035.....	16,704	5,993	22,697
2036.....	12,821	5,448	18,269
2037.....	12,821	4,903	17,724
2038.....	12,821	4,358	17,179
2039.....	12,821	3,813	16,634
2040.....	12,821	3,269	16,090
2041.....	12,821	2,724	15,545
2042.....	12,821	2,179	15,000
2043.....	12,821	1,634	14,455
2044.....	12,821	1,089	13,910
2045.....	12,821	544	13,365
Total.....	\$ 339,386	\$ 150,372	\$ 489,758

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. On June 30, 2022, the Town had no authorized and unissued debt.

Changes in Long-term Liabilities

During the year ended June 30, 2022, the following changes occurred in long-term liabilities:

	Beginning Balance	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Governmental Activities:							
Long-term bonds payable.... \$	675,000	\$ -	\$ (75,000)	\$ -	\$ -	600,000	\$ 75,000
Direct borrowings payable...	385,000	-	(80,000)	-	-	305,000	80,000
Total bonds payable.....	1,060,000	-	(155,000)	-	-	905,000	155,000
Compensated absences.....	550,790	-	-	513,263	(299,647)	764,406	305,762
Net pension liability.....	4,102,210	-	-	352,223	(359,612)	4,094,821	-
Net OPEB liability.....	3,474,933	-	-	103,861	(626,006)	2,952,788	-
Total governmental activity long-term liabilities.....	\$ 9,187,933	\$ -	\$ (155,000)	\$ 969,347	\$ (1,285,265)	\$ 8,717,015	\$ 460,762
Business-Type Activities:							
Direct borrowings payable... \$	1,304,697	\$ -	\$ (54,057)	\$ -	\$ -	1,250,640	\$ 54,121
Compensated absences.....	109,258	-	-	74,233	(51,673)	131,818	52,728
Net pension liability.....	623,838	-	-	49,280	(98,816)	574,302	-
Net OPEB liability.....	908,879	-	-	14,259	(152,015)	771,123	-
Total business-type activity long-term liabilities.....	\$ 2,946,672	\$ -	\$ (54,057)	\$ 137,772	\$ (302,504)	\$ 2,727,883	\$ 106,849

NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

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

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

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

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 a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body.

At year end, the balance of the general stabilization fund was \$795,059, and the landfill stabilization fund was \$223,821. Both balances were reported as unassigned fund balance within the general fund.

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

	General	Town Capital Projects	Town Grants	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:					
Nonspendable:					
Permanent fund principal.....	\$ -	\$ -	\$ -	\$ 99,333	\$ 99,333
Restricted for:					
Town grants.....	-	-	101,254	-	101,254
Ambulance.....	-	-	-	614,909	614,909
Receipts reserved for appropriation.....	-	-	-	1,123	1,123
Revolving funds.....	-	-	-	66,479	66,479
Title V.....	-	-	-	65,838	65,838
Gifts and donations.....	-	-	-	102,782	102,782
Cable access.....	-	-	-	534,515	534,515
Other special revenue funds.....	-	-	-	34,782	34,782
Exendable trust funds.....	-	-	-	69,103	69,103
Committed to:					
Articles and continuing appropriations:					
General government.....	99,931	-	-	-	99,931
Public safety.....	15,859	-	-	-	15,859
Education.....	100,000	-	-	-	100,000
Public works.....	14,542	-	-	-	14,542
Assigned to:					
General government.....	14,840	-	-	-	14,840
Public safety.....	1,362	-	-	-	1,362
Public works.....	4,200	-	-	-	4,200
Culture and recreation.....	1,136	-	-	-	1,136
Unassigned.....	<u>2,224,920</u>	<u>(503,014)</u>	<u>-</u>	<u>(277,523)</u>	<u>1,444,383</u>
Total Fund Balances.....	<u>\$ 2,476,790</u>	<u>\$ (503,014)</u>	<u>\$ 101,254</u>	<u>\$ 1,311,341</u>	<u>\$ 3,386,371</u>

NOTE 9 – RISK FINANCING

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

The Town is part of a premium-based insurance group which insures for health insurance, worker’s compensation, and general and personal liability, through the Massachusetts Inter-Local Insurance Association (MIIA). The Town essentially transfers risk through payment of its annual assessment which is adjusted according to the Town’s experience history.

NOTE 10 – PENSION PLAN*Plan Description*

The Town is a member of the Worcester Regional Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 97 member units. The System is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The audited financial report may be obtained by visiting <https://wrrboard.org>.

Benefits Provided

The System provides retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service. There were no changes in benefit terms that affected the measurement of the total pension liability at December 31, 2021.

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

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

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the System a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The Town's proportionate share of the required contribution equaled its actual contribution for the year ended December 31, 2021, which was \$410,048 and 15.41% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

Pension Liabilities

At June 30, 2022, the Town reported a liability of \$4,669,123 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension

plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2021, the Town’s proportion was 0.555%, as compared to its proportion of 0.532% as of December 31, 2020.

Pension Expense

For the year ended June 30, 2022, the Town recognized pension expense of \$494,618. At June 30, 2022, the Town reported deferred outflows and deferred inflows of resources related to pensions of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ -	\$ (97,654)	\$ (97,654)
Difference between projected and actual earnings, net.....	-	(658,737)	(658,737)
Changes in assumptions.....	401,487	-	401,487
Changes in proportion and proportionate share of contributions...	227,368	(46,991)	180,377
Total deferred outflows/(inflows) of resources.....	\$ 628,855	\$ (803,382)	\$ (174,527)

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

Year ended June 30:

2023.....	\$ (25,425)
2024.....	(125,713)
2025.....	(47,994)
2026.....	(34,542)
2027.....	59,147
Total deferred outflows/(inflows) of resources....	\$ (174,527)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2021:

Valuation date.....	January 1, 2020
Actuarial cost method.....	Entry Age Normal.
Amortization method.....	Increasing dollar amount at 4% to reduce the Unfunded Actuarial Accrued Liability to zero on or before June 30, 2036. The annual increase in appropriation is further limited to 9.95%.
Remaining amortization period.....	Increasing dollar amount at 4.5% to reduce the 2002 and 2003 ERI actuarial accrued liability to zero on or before 6/30/28.
Investment rate of return.....	7.25%, net of pension plan investment expense, including inflation.
Asset valuation method.....	Fair value.
Inflation rate.....	2.2% per year.
Projected salary increases.....	Group 1: 4.25% - 6%, based on service. Group 4: 4.75% - 7%, based on service.
Mortality rates.....	Based on the RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2018. For disabled lives, the mortality rates were based on the RP-2014 Blue Collar Mortality Table set forward on year with full generational mortality improvement using Scale MP-2018.

Investment Policy

The System’s policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

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

Best estimates of arithmetic real rates of return for each major asset class included in the System’s target asset allocation as of December 31, 2021, are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Global equity.....	38.00%	4.22%
Core Fixed Income.....	15.00%	0.70%
Value-Added Fixed income....	8.00%	4.00%
Private equity.....	15.00%	7.70%
Real estate.....	10.00%	3.60%
Timberland.....	4.00%	4.20%
Portfolio Completion (PCS)....	10.00%	3.00%
 Total.....	100.00%	

Rate of Return

For the year ended December 31, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 19.74%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The discount rate used to measure the total pension liability was 7.25% at December 31, 2021, and 7.50% at December 31, 2020. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability, calculated using the discount rate of (7.25%), as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount (7.25%)	1% Increase (8.25%)
The Town's proportionate share of the net pension liability.....	\$ 5,889,748	\$ 4,669,123	\$ 3,637,723

Changes of Assumptions: The discount rate decreased from 7.50% to 7.25%.

Changes in Plan Provisions – None.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

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

Funding Policy

Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 50 percent of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 50 percent of the premium costs.

The Commonwealth of Massachusetts passed legislation that has allowed the Town to establish the postemployment benefit trust fund to begin pre-funding its OPEB liabilities. As of June 30, 2022, the balance of this fund totaled \$74,928. The Town has not formally adopted a policy of pre-funding future OPEB liabilities.

Plan Membership

The following table represents the Plan’s membership at July 1, 2021:

Active members.....	42
Inactive employees or beneficiaries currently receiving benefits.....	<u>23</u>
Total.....	<u><u>65</u></u>

Components of OPEB Liability

The following table represents the components of the Plan’s OPEB liability as of June 30, 2022:

Total OPEB liability.....	\$ 3,798,839
Less: OPEB plan’s fiduciary net position.....	<u>(74,928)</u>
Net OPEB liability.....	<u><u>\$ 3,723,911</u></u>
The OPEB plan’s fiduciary net position as a percentage of the total OPEB liability.....	1.97%

Significant Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2021, actuarial valuation was determined by using the following actuarial assumptions, actuarially applied to all periods, including the measurement date that was updated to June 30, 2022:

Valuation date.....	July 1, 2021.
Actuarial cost method.....	Individual Entry Age Normal.
Investment rate of return.....	5.28%, net of OPEB plan investment expense, including inflation. Previously 6.08%.
Municipal bond rate.....	4.09% as of June 30, 2022 (source: S&P Municipal Bond 20-Year High Grade Index – SAPIHG). Previously 2.18%.
Single equivalent discount rate.....	4.36%, net of OPEB plan investment expense, including inflation. Previously 2.75%.
Inflation rate.....	2.50% as of June 30, 2022.
Asset valuation method.....	Fair value of assets as of the measurement date.
Healthcare trend rate.....	Medicare Supplement Plans: Initial Trend of 4.50% for 2021 grading down 0.00% per year for an ultimate trend rate of 4.50%.
Pre-Retirement Mortality rates.....	RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females.
Post-Retirement Mortality rates.....	RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females.
Disability Mortality rates.....	RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year.

Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was -16.22%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future 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 of by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin.

The target allocation as of June 30, 2022, and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized below:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity - large cap.....	25.50%	4.10%
Domestic equity - small/mid cap.....	12.75%	4.55%
International equity - developed market.....	10.50%	4.64%
International equity - emerging market.....	5.50%	5.45%
Domestic fixed income.....	36.00%	1.05%
International fixed income.....	6.50%	0.96%
Alternatives.....	3.00%	5.95%
Cash & cash equivalents.....	0.25%	0.00%
Total.....	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability was 4.36% as of June 30, 2022, and 2.75% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that contributions was made in accordance with the Town’s funding policy. Based on these assumptions, the OPEB Plan’s fiduciary net position was projected to be insufficient to make all projected benefit payments to current plan members. Therefore, the long-term expected rate of return on the OPEB Plan assets was applied to the projected benefits payments which the fiduciary net position was expected to be sufficient to cover and the municipal bond rate was applied thereafter. The municipal bond rate was based on the S&P Municipal Bond 20 – Year High Grade Index ("SAPIHG"), which was 4.09% as of June 30, 2022. The S&P Municipal Bond 20 - Year High Grade Index is the index rate for 20-year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher.

Changes in the Total OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2021.....	\$ 4,437,256	\$ 53,444	\$ 4,383,812
Changes for the year:			
Service cost.....	237,129	-	237,129
Interest.....	127,198	-	127,198
Differences between expected and actual experience.....	(962,565)	-	(962,565)
Changes in assumptions.....	58,510	-	58,510
Benefit payments.....	(98,689)	(98,689)	-
Employer contributions.....	-	123,689	(123,689)
Net investment income (loss).....	-	(3,516)	3,516
Net change.....	(638,417)	21,484	(659,901)
Balances at June 30, 2022.....	\$ 3,798,839	\$ 74,928	\$ 3,723,911

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

The following table presents the total other postemployment benefit liability, calculated using the discount rate of 4.36%, as well as what the total other postemployment benefit liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.36%) or 1-percentage-point higher (5.36%) than the current discount rate.

	1% Decrease (3.36%)	Current Discount Rate (4.36%)	1% Increase (5.36%)
Net OPEB liability..... \$	4,460,147	3,723,911	3,150,437

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

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

	1% Decrease	Current Trend	1% Increase
Net OPEB liability..... \$	3,083,296	3,723,911	4,575,169

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

For the year ended June 30, 2022, the Town recognized OPEB expense of \$118,120. On June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience..... \$	133,507	(1,109,008)	(975,501)
Difference between projected and actual earnings, net....	10,327	-	10,327
Changes of assumptions.....	328,964	(149,146)	179,818
Total deferred outflows/(inflows) of resources..... \$	472,798	(1,258,154)	(785,356)

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>	
2023.....	\$ (242,042)
2024.....	(242,219)
2025.....	(50,104)
2026.....	(48,451)
2027.....	(73,391)
Thereafter.....	<u>(129,149)</u>
Total deferred outflows/(inflows) of resources...	\$ <u><u>(785,356)</u></u>

Changes of Assumptions:

- The discount rate was increased from 2.75% to 4.36%.
- ASOP 6 was implemented.
- The Getzen model for future projected healthcare costs was adopted.

Changes in Plan Provisions – None.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Various legal actions and claims are pending against the Town. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2022, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2022.

The general fund has various commitments for goods and services related to encumbrances of \$252,000.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 30, 2023, which is the date the financial statements were available to be issued.

NOTE 14 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2022, the following GASB pronouncements were implemented:

- GASB Statement #87, *Leases*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.
- GASB Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This pronouncement did not impact the basic financial statements.

- GASB Statement #92, *Omnibus 2020*. This pronouncement did not impact the basic financial statements.
- GASB Statement #93, *Replacement of Interbank Offered Rates*. This pronouncement did not impact the basic financial statements.
- GASB Statement #97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2023.
- The GASB issued Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #96, *Subscription-Based Information Technology Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #99, *Omnibus 2022*, which is required to be implemented in 2023.
- The GASB issued Statement #100, *Accounting Changes and Error Corrections*, which is required to be implemented in 2024.
- The GASB issued Statement #101, *Compensated Absences*, which is required to be implemented in 2025..

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

Required Supplementary Information

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

YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 9,195,391	\$ 9,195,391	\$ 9,189,525	\$ -	\$ (5,866)
Tax liens.....	-	-	22,116	-	22,116
Motor vehicle and other excise taxes.....	710,000	710,000	807,327	-	97,327
Penalties and interest on taxes.....	54,000	54,000	59,576	-	5,576
Fees and rentals.....	109,000	109,000	143,946	-	34,946
Payments in lieu of taxes.....	215,170	215,170	215,169	-	(1)
Licenses and permits.....	106,000	106,000	106,952	-	952
Intergovernmental - state aid.....	1,144,306	1,144,306	1,150,006	-	5,700
Intergovernmental.....	-	-	2,266	-	2,266
Departmental and other.....	44,000	44,000	48,388	-	4,388
Investment income.....	25,000	25,000	14,318	-	(10,682)
TOTAL REVENUES.....	11,602,867	11,602,867	11,759,589	-	156,722
EXPENDITURES:					
Current:					
General government.....	1,113,321	1,113,321	968,584	114,771	29,966
Public safety.....	2,504,434	2,504,434	2,477,578	17,221	9,635
Education.....	6,266,619	6,266,619	6,166,618	100,000	1
Public works.....	1,000,726	1,000,726	968,603	18,742	13,381
Regulatory.....	123,757	123,757	118,650	-	5,107
Human services.....	185,895	185,895	175,608	-	10,287
Culture and recreation.....	290,289	290,289	285,669	1,136	3,484
Insurance and benefits.....	1,041,896	1,041,896	1,038,677	-	3,219
State and county charges.....	19,854	19,854	16,414	-	3,440
Debt service:					
Principal.....	155,000	155,000	155,000	-	-
Interest.....	62,592	62,592	58,719	-	3,873
TOTAL EXPENDITURES.....	12,764,383	12,764,383	12,430,120	251,870	82,393
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(1,161,516)	(1,161,516)	(670,531)	(251,870)	239,115
OTHER FINANCING SOURCES (USES):					
Transfers in.....	655,896	655,896	658,698	-	2,802
Transfers out.....	(493,094)	(493,094)	(493,094)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	162,802	162,802	165,604	-	2,802
NET CHANGE IN FUND BALANCE.....	(998,714)	(998,714)	(504,927)	(251,870)	241,917
BUDGETARY FUND BALANCE, Beginning of year...	1,852,337	1,852,337	1,852,337	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 853,623	\$ 853,623	\$ 1,347,410	\$ (251,870)	\$ 241,917

See notes to required supplementary information.

Pension Plan Schedules

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

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

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

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
WORCESTER REGIONAL RETIREMENT SYSTEM**

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2021.....	0.555%	\$ 4,669,123	\$ 2,634,139	177.25%	56.20%
December 31, 2020.....	0.532%	4,726,048	2,487,212	190.01%	50.30%
December 31, 2019.....	0.536%	4,767,083	2,105,671	226.39%	47.36%
December 31, 2018.....	0.527%	4,774,164	1,658,812	287.81%	43.05%
December 31, 2017.....	0.538%	4,384,933	1,768,710	247.92%	46.40%
December 31, 2016.....	0.515%	4,311,118	1,608,666	267.99%	42.00%
December 31, 2015.....	0.513%	3,640,562	1,722,298	211.38%	44.52%
December 31, 2014.....	0.691%	4,109,938	1,656,056	248.18%	47.94%

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

See notes to required supplementary information.

SCHEDULE OF THE TOWN'S CONTRIBUTIONS
WORCESTER REGIONAL RETIREMENT SYSTEM

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2022.....	\$ 410,048	\$ (410,048)	-	\$ 2,660,480	15.41%
June 30, 2021.....	357,853	(357,853)	-	2,512,084	14.25%
June 30, 2020.....	326,085	(326,085)	-	2,126,728	15.33%
June 30, 2019.....	293,130	(293,130)	-	1,675,400	17.50%
June 30, 2018.....	272,096	(272,096)	-	1,786,397	15.23%
June 30, 2017.....	250,016	(250,016)	-	1,624,753	15.39%
June 30, 2016.....	230,731	(230,731)	-	1,739,521	13.26%
June 30, 2015.....	272,945	(272,945)	-	1,672,617	16.32%

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

See notes to required supplementary information.

Other Postemployment Benefit Plan Schedules

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

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

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

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

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

	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Total OPEB Liability					
Service cost.....	\$ 159,464	\$ 165,650	\$ 190,434	\$ 195,268	\$ 237,129
Interest.....	135,994	101,803	107,883	128,799	127,198
Differences between expected and actual experience....	(993,171)	(447)	233,638	-	(962,565)
Changes of assumptions.....	(354,017)	-	(83,996)	390,338	58,510
Benefit payments.....	(93,662)	(95,528)	(82,626)	(89,168)	(98,689)
Net change in total OPEB liability.....	(1,145,392)	171,478	365,333	625,237	(638,417)
Total OPEB liability - beginning.....	4,420,600	3,275,208	3,446,686	3,812,019	4,437,256
Total OPEB liability - ending (a).....	<u>\$ 3,275,208</u>	<u>\$ 3,446,686</u>	<u>\$ 3,812,019</u>	<u>\$ 4,437,256</u>	<u>\$ 3,798,839</u>
Plan fiduciary net position					
Employer contributions.....	\$ 93,662	\$ 95,528	\$ 82,626	\$ 89,168	\$ 98,689
Employer contributions for OPEB payments.....	25,000	15,000	-	10,000	25,000
Net investment income (loss).....	550	1,234	1,084	576	(3,516)
Benefit payments.....	(93,662)	(95,528)	(82,626)	(89,168)	(98,689)
Net change in plan fiduciary net position.....	25,550	16,234	1,084	10,576	21,484
Plan fiduciary net position - beginning of year.....	-	25,550	41,784	42,868	53,444
Plan fiduciary net position - end of year (b).....	<u>\$ 25,550</u>	<u>\$ 41,784</u>	<u>\$ 42,868</u>	<u>\$ 53,444</u>	<u>\$ 74,928</u>
Net OPEB liability - ending (a)-(b).....	<u>\$ 3,249,658</u>	<u>\$ 3,404,902</u>	<u>\$ 3,769,151</u>	<u>\$ 4,383,812</u>	<u>\$ 3,723,911</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	0.78%	1.21%	1.12%	1.20%	1.97%
Covered-employee payroll.....	\$ 2,186,838	\$ 2,252,444	N/A	\$ 2,945,470	\$ 3,033,834
Net OPEB liability as a percentage of covered-employee payroll.....	148.60%	151.16%	N/A	148.83%	122.75%

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

See notes to required supplementary information.

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

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
June 30, 2022.....	\$ 386,301	\$ (133,689)	\$ 252,612	\$ 3,033,834	4.41%
June 30, 2021.....	336,304	(99,168)	237,136	2,945,470	3.37%
June 30, 2020.....	320,539	(82,626)	237,913	N/A	N/A
June 30, 2019.....	334,306	(110,528)	223,778	2,252,444	4.91%
June 30, 2018.....	319,996	(118,662)	201,334	2,186,838	5.43%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.
N/A - Information not available.

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2022.....	-16.22%
June 30, 2021.....	1.38%
June 30, 2020.....	2.59%
June 30, 2019.....	4.21%
June 30, 2018.....	0.93%

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

See notes to required supplementary information.

NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Municipal Law requires the Town to adopt a balanced budget that is approved by Town Meeting. The Finance Committee presents an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses Town Meeting, which has full authority to amend and/or reject the budget or any individual line item, adopts the expenditure budget by majority vote. Increases or transfers between departments subsequent to the approval of the annual budget requires majority Town Meeting approval via a supplemental appropriation.

The majority of the Town’s appropriations are non-continuing which lapse at the end of each year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current year. These carry forwards are included as part of the subsequent year’s original budget.

Generally, expenditures may not exceed the legal level of spending authorized for an appropriation account. However, the Town is statutorily required to pay debt service, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by majority vote of the Town Meeting.

The Town adopts an annual budget for the general fund in conformity with the guidelines described above. The original 2022 approved budget for the general fund authorized \$12.6 million in appropriations and other amounts to be raised, as well as \$653,000 in carryforwards from 2021.

The Town Accountant’s office has the responsibility to ensure that budgetary control is maintained on an individual line item appropriation account basis. Budgetary control is exercised through the Town’s accounting system.

Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth of Massachusetts) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the General Fund for the year ended June 30, 2022, is presented below:

Net change in fund balance - budgetary basis.....	\$	(504,927)
<u>Perspective differences:</u>		
Activity of the stabilization fund recorded in the general fund for GAAP.....		141,002
<u>Basis of accounting differences:</u>		
Net change in recording accrued expenditures.....		<u>132,824</u>
Net change in fund balance - GAAP basis.....	\$	<u><u>(231,101)</u></u>

NOTE B – PENSION PLANSchedule of the Town's Proportionate Share of the Net Pension Liability

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

Schedule of Town's Contributions

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

Changes of Assumptions – The discount rate decreased from 7.50% to 7.25%.

Changes in Plan Provisions – None.

NOTE C – OTHER POSTEMPLOYMENT BENEFITS PLAN

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

The Other Postemployment Benefit PlanSchedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios

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

Schedule of the Town's Contributions

The Schedule of the Town's Contributions includes the Town's annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered employee payroll. The Town is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered payroll.

Methods and assumptions used to determine contribution rates were as follows:

Valuation date.....	July 1, 2021.
Actuarial cost method.....	Individual Entry Age Normal.
Investment rate of return.....	5.28%, net of OPEB plan investment expense, including inflation. Previously 6.08%.
Municipal bond rate.....	4.09% as of June 30, 2022 (source: S&P Municipal Bond 20-Year High Grade Index – SAPIHG). Previously 2.18%.
Single equivalent discount rate.....	4.36%, net of OPEB plan investment expense, including inflation. Previously 2.75%.
Inflation rate.....	2.50% as of June 30, 2022.
Asset valuation method.....	Fair value of assets as of the measurement date.
Healthcare trend rate.....	Medicare Supplement Plans: Initial Trend of 4.50% for 2021 grading down 0.00% per year for an ultimate trend rate of 4.50%.
Pre-Retirement Mortality rates.....	RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females.
Post-Retirement Mortality rates.....	RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females.
Disability Mortality rates.....	RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year.

Schedule of Investment Returns

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

Changes of Assumptions:

- The discount rate was increased from 2.75% to 4.36%.
- ASOP 6 was implemented.
- The Getzen model for future projected healthcare costs was adopted.

Changes in Plan Provisions – None.