

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

**TOWN OF BLACKSTONE,
MASSACHUSETTS**

Basic Financial
Statements and Additional
Information

Year Ended June 30, 2021



TOWN OF BLACKSTONE, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

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

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Restatement

We audited the Town's basic financial statements for the year ended June 30, 2020, for which we issued an unmodified opinion dated October 27, 2020. As discussed in note V to the financial statements, the Town adopted Statement of Governmental Accounting Standards No. 84, *Fiduciary Activities*, in fiscal year 2021. In connection with the adoption of this accounting standard, previously reported total net position in the Statement of Net Position and fund balances in the Statement of Revenues, Expenditures and Changes in Fund Balances were restated. Our opinion was not modified with respect to the matter.

Other Matters

Required Supplementary Information

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

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



Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
November 3, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Financial Highlights

- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by approximately \$34.7 million (total net position) at June 30, 2021. This represents an increase of approximately \$2.7 million from the prior year. The Town's net position in its governmental activities increased over \$1.9 million while its net position in its business-type activities increased nearly \$0.8 million.
- At June 30, 2021, the Town reported approximately \$1.7 million in unrestricted net position in its governmental activities versus a deficit of over \$0.8 million in the prior year. The Town's unrestricted net position is burdened with approximately \$15.5 million in liabilities associated with the net OPEB and pension liabilities. These liabilities are applied to the Town's unrestricted net position and represent actuarial estimates of future postemployment benefits payable by the Town for retiree medical insurance and pensions.
- As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$17.2 million, which is approximately \$2.5 million higher than the prior year. The Town reported positive changes in fund balances in each of its major governmental funds in fiscal year 2021.
- Of the ending fund balance in the Town's governmental funds, over \$6.2 million is available for spending at the government's discretion as unassigned fund balance. The remainder is earmarked for specific expenditures/purposes.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was approximately 31% of the total general fund expenditures and the total general fund balance was approximately 43% of the total general fund expenditures.
- The Town's total long-term debt in its governmental activities and business-type activities decreased by approximately \$1.0 million in 2021. The Town's total long-term debt was approximately \$4.6 million at June 30, 2021.
- The Town received approximately \$486,000 from the federal government under the American Rescue Plan Act ("ARPA") coronavirus local fiscal recovery fund in late fiscal year 2021. This was the first installment of approximately \$2.8 million in eligible ARPA monies to the Town from this fund. The use of these monies is less limited than the funding the Town received under the CARES Act and based on current guidance must be obligated by December 31, 2024 and expended by December 31, 2026.

Overview of the Financial Statements

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

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

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

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

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

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

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

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

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

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

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

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

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

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town’s progress in funding its obligation to provide pension benefits and other postemployment benefits to its employees as well as a budget to actual comparison for the current year’s general fund operations.

Government-Wide Financial Analysis

The condensed comparative statements of net position for the two most recent years are as follows:

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2021	June 30, 2020 (a)	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Assets:						
Current and other assets	\$ 22,002,963	\$ 17,323,451	\$ 3,338,330	\$ 3,074,063	\$ 25,341,293	\$ 20,397,514
Capital assets, net	18,471,957	18,829,407	15,644,129	15,701,479	34,116,086	34,530,886
Total Assets	40,474,920	36,152,858	18,982,459	18,775,542	59,457,379	54,928,400
Deferred Outflows of Resources	2,772,727	2,037,601	241,107	177,183	3,013,834	2,214,784
Liabilities:						
Long-term liabilities	15,988,069	15,370,321	5,034,650	5,625,093	21,022,719	20,995,414
Other liabilities	3,788,670	1,528,434	1,344,682	1,264,450	5,133,352	2,792,884
Total Liabilities	19,776,739	16,898,755	6,379,332	6,889,543	26,156,071	23,788,298
Deferred Inflows of Resources	1,498,209	1,221,858	130,280	106,249	1,628,489	1,328,107
Net Position:						
Net investment in capital assets	17,442,321	17,899,619	10,916,558	10,596,540	28,358,879	28,496,159
Restricted	2,863,654	3,018,248	-	-	2,863,654	3,018,248
Unrestricted	1,666,724	(848,021)	1,797,396	1,360,393	3,464,120	512,372
Total Net Position	\$ 21,972,699	\$ 20,069,846	\$ 12,713,954	\$ 11,956,933	\$ 34,686,653	\$ 32,026,779

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's total net position increased nearly \$2.7 million year-over-year. The net position in governmental activities increased over \$1.9 million while the net position in business-type activities increased nearly \$0.8 million.

The largest portion (approximately \$28.4 million) of the Town's net position reflects its investment in capital assets, less any related debt (netted down by those amounts expected to be reimbursed by the Commonwealth) used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (approximately \$2.9 million) represents resources that are subject to external restrictions on how they may be used. The remaining balance of approximately \$3.5 million is referred to as unrestricted net position and may be used to meet the government's ongoing obligations to citizens and creditors.

The condensed comparative statements of activities for the two most recent fiscal years are as follows:

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 1,637,159	\$ 1,211,617	\$ 2,266,967	\$ 2,098,741	\$ 3,904,126	\$ 3,310,358
Operating grants and contributions	857,130	616,871	-	-	857,130	616,871
Capital grants and contributions	447,505	294,608	-	-	447,505	294,608
General revenues:						
Property taxes	19,976,203	19,441,474	-	-	19,976,203	19,441,474
Excise taxes	1,378,754	1,318,561	-	-	1,378,754	1,318,561
Intergovernmental	1,453,444	1,454,531	-	-	1,453,444	1,454,531
Other	425,949	427,499	-	-	425,949	427,499
Total Revenues	26,176,144	24,765,161	2,266,967	2,098,741	28,443,111	26,863,902
Expenses:						
General government	2,613,777	2,755,926	-	-	2,613,777	2,755,926
Public safety	4,783,324	4,849,910	-	-	4,783,324	4,849,910
Education	11,622,333	11,346,879	-	-	11,622,333	11,346,879
Public works	2,712,895	2,266,253	-	-	2,712,895	2,266,253
Health and human services	688,579	559,632	-	-	688,579	559,632
Culture and recreation	972,860	943,455	-	-	972,860	943,455
Interest expense	26,629	43,465	-	-	26,629	43,465
Sewer and water services	-	-	2,362,840	2,310,307	2,362,840	2,310,307
Total Expenses	23,420,397	22,765,520	2,362,840	2,310,307	25,783,237	25,075,827
Change in Net Position						
Before Transfers	2,755,747	1,999,641	(95,873)	(211,566)	2,659,874	1,788,075
Transfers	(852,894)	(876,410)	852,894	876,410	-	-
Change in Net Position	1,902,853	1,123,231	757,021	664,844	2,659,874	1,788,075
Net Position:						
Beginning of year	20,069,846	18,991,596	11,956,933	11,292,089	32,026,779	30,283,685
Restatement (a)	-	(44,981)	-	-	-	(44,981)
End of year	\$ 21,972,699	\$ 20,069,846	\$ 12,713,954	\$ 11,956,933	\$ 34,686,653	\$ 32,026,779

(a) Restatement accounts for the effects of adoption of GASB Statement No. 84; refer to Note V to the financial statements.

Governmental Activities – Total revenues in fiscal year 2021 in the Town’s governmental activities increased over \$1.4 million, or 5.7%, from fiscal year 2020. The Town’s largest revenue source is property taxes, which represented approximately 76% and 79% of total fiscal year 2021 and 2020 revenues, respectively. Property taxes increased approximately \$0.5 million, or 2.8%, in 2021 due to normal statutory property tax increases and new growth. No other revenue source exceeded 10% of total revenues in either fiscal year 2021 or 2020.

Total expenses increased nearly \$655,000, or 2.9%, year-over-year. The Town’s largest expense category is education, which the Town continues to devote substantial resources towards. Education expenses totaled approximately 50% of total annual expenditures in both fiscal year 2021 and 2020. In terms of gross dollars, education expenses increased over \$275,000 in fiscal year 2021, which reflected the increase in the Town’s assessment for its regional school district. Public safety, public works and general governments expenses represented approximately 20%, 12% and 11% of total annual expenditures in fiscal year 2021; these ratios were consistent with the prior year.

Business-Type Activities – User charges represent the majority of the reported revenues in both fiscal years 2021 and 2020. Business-type revenues increased over \$168,000 year-over-year, while expenses increased approximately \$52,000.

Governmental Funds Financial Analysis

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

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

As of the close of the current fiscal year, the Town’s governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$17.2 million, which is an approximate \$2.5 million increase from the prior year. The Town reported positive changes in fund balances in each of its major governmental funds in fiscal year 2021. Of the ending fund balances, over \$6.2 million is available for spending at the government’s discretion as unassigned fund balance. The remainder is earmarked for specific expenditures.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the unassigned fund balance of the general fund was approximately \$6.7 million, while total fund balance was nearly \$9.5 million. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 31% of total general fund expenditures, while total fund balance represents approximately 43% of that same amount.

The Town’s capital investment fund is restricted for debt service purposes. Its primary source of funding is the transfer of PILOT monies received from the Town’s agreement with ANP Blackstone Energy Company LLC, a power generator. At June 30, 2021, the capital investment fund has a fund balance of approximately \$6.5 million. The release of funds from the capital investment fund requires the affirmative vote of two-thirds by the local legislative body at either the Annual Town Meeting or at a Special Town Meeting.

The Town reports over \$1.7 million as restricted in the nonmajor governmental funds due to constraints placed externally by third-parties. This amount is offset by deficit balances in the Town’s capital project funds of approximately \$511,000, which is reported as a deficit in the unassigned fund balance of the nonmajor governmental funds. This deficit was principally due to capital repairs made to the Town Hall roof, which the Town expects to fund through available revenues, grant funds or bond proceeds in future fiscal years.

Proprietary Funds – The Town’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the year, the net position of the sewer and water enterprise funds were approximately \$12.7 million in the aggregate.

General Fund Budgetary Highlights

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

Capital Asset and Debt Administration

Capital Assets – At June 30, 2021, the Town’s investment in capital assets for its governmental and business-type activities approximated \$18.5 million and \$15.6 million, respectively. In total, net capital assets decreased approximately \$415,000 in fiscal year 2021 as depreciation expense exceeded capital additions.

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

Long-Term Debt – At the end of the current fiscal year, the Town had total long-term debt outstanding of approximately \$4.6 million. The Town’s total long-term bonded debt decreased by approximately \$1.0 million during the current fiscal year due to scheduled debt payments.

The Town’s bond rating of “AA+” was set by Standard and Poor’s Financial Services LLC several years ago and the Town continues to maintain this rating.

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

Economic Factors and Next Year’s Budgets and Rates

- Net state aid for fiscal year 2022 is expected to increase to nearly \$1,902,000.
- The Town enters fiscal year 2022 with approximately \$2.7 million in certified free cash and approximately \$3.3 million in stabilization funds available to assist in funding its fiscal year 2022 budget. Additionally, the capital investment fund reported a nearly \$6.5 million balance at June 30, 2021, which may be appropriated by Town Meeting to assist in financing the Town’s future capital requirements.
- The Town’s real estate tax base is made up predominantly of residential taxes, which in 2021 represented approximately 80% of the entire levy. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town’s ability to increase taxes in any one year by more than 2 ½% of the previous year’s tax levy. The Town typically taxes at or near its levy limit annually.
- The Town continues to experience modest new growth in its property tax base.
- Property values within the Town have been steadily increasing. Many neighborhoods’ property values are at all-time highs.

Each of these factors were considered in preparing the Town’s budget for the 2022 fiscal year, which was adopted at Town Meeting in May 2021. The Town is expecting to set its fiscal year 2021 property tax rate in December 2021.

Requests for Information

This financial report is designed to provide a general overview of the Town’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Town Administrator, 15 Saint Paul Street, Blackstone, MA 01504.

TOWN OF BLACKSTONE, MASSACHUSETTS

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

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 11,838,770	\$ 2,729,775	\$ 14,568,545
Investments	8,803,018	-	8,803,018
Receivables, net of allowances:			
Property taxes	1,011,804	-	1,011,804
Excise taxes	187,896	-	187,896
Departmental, user charges and other	161,475	608,555	770,030
Land	4,052,592	152,506	4,205,098
Construction in-progress	-	437,578	437,578
Depreciable capital assets, net	14,419,365	15,054,045	29,473,410
Total Assets	40,474,920	18,982,459	59,457,379
Deferred Outflows of Resources:			
Other postemployment benefits	1,512,188	131,495	1,643,683
Pensions	1,260,539	109,612	1,370,151
Total Deferred Outflows of Resources	2,772,727	241,107	3,013,834
Liabilities:			
Warrants payable and accrued expenses	558,054	177,234	735,288
Accrued payroll and withholdings	229,172	-	229,172
Accrued interest	4,746	88,542	93,288
Unearned revenue	486,081	-	486,081
Deposits and escrows	1,500,968	-	1,500,968
Bond anticipation notes payable	736,418	405,500	1,141,918
Noncurrent liabilities:			
Due within one year	273,231	673,406	946,637
Due in more than one year	15,988,069	5,034,650	21,022,719
Total Liabilities	19,776,739	6,379,332	26,156,071
Deferred Inflows of Resources:			
Other postemployment benefits	622,741	54,152	676,893
Pensions	875,468	76,128	951,596
Total Deferred Inflows of Resources	1,498,209	130,280	1,628,489
Net Position:			
Net investment in capital assets	17,442,321	10,916,558	28,358,879
Restricted for:			
Federal and state grants	247,476	-	247,476
Gifts and donations	329,395	-	329,395
Revolving funds	1,120,390	-	1,120,390
Other purposes	1,166,393	-	1,166,393
Unrestricted	1,666,724	1,797,396	3,464,120
Total Net Position	\$ 21,972,699	\$ 12,713,954	\$ 34,686,653

See accompanying notes to basic financial statements.

TOWN OF BLACKSTONE, MASSACHUSETTS

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

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 2,613,777	\$ 701,954	\$ 147,271	\$ -	\$ (1,764,552)		\$ (1,764,552)
Public safety	4,783,324	703,966	73,437	-	(4,005,921)		(4,005,921)
Education	11,622,333	20,975	218,208	-	(11,383,150)		(11,383,150)
Public works	2,712,895	140,796	-	447,505	(2,124,594)		(2,124,594)
Health and human services	688,579	69,047	360,731	-	(258,801)		(258,801)
Culture and recreation	972,860	421	57,483	-	(914,956)		(914,956)
Interest expense	26,629	-	-	-	(26,629)		(26,629)
Total Governmental Activities	23,420,397	1,637,159	857,130	447,505	(20,478,603)		(20,478,603)
Business-Type Activities:							
Sewer	1,155,033	1,191,272	-	-		\$ 36,239	36,239
Water	1,207,807	1,075,695	-	-		(132,112)	(132,112)
Total Business-Type Activities	2,362,840	2,266,967	-	-		(95,873)	(95,873)
Total Primary Government	\$ 25,783,237	\$ 3,904,126	\$ 857,130	\$ 447,505		(95,873)	(20,574,476)
General Revenues:							
Property taxes					19,976,203	-	19,976,203
Motor vehicle and other excise taxes					1,378,754	-	1,378,754
Grants and contributions not restricted to to specific programs					1,453,444	-	1,453,444
Penalties and interest on taxes					157,130	-	157,130
Unrestricted investment income					268,819	-	268,819
Transfers, net					(852,894)	852,894	-
Total General Revenues and Transfers					22,381,456	852,894	23,234,350
Change in Net Position					1,902,853	757,021	2,659,874
Net Position:							
Beginning of year (as restated; see Note V)					20,069,846	11,956,933	32,026,779
End of year					\$ 21,972,699	\$ 12,713,954	\$ 34,686,653

See accompanying notes to basic financial statements.

TOWN OF BLACKSTONE, MASSACHUSETTS

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

	General Fund	Capital Investment Fund	Nonmajor Governmental Funds	Total
Assets:				
Cash and cash equivalents	\$ 8,643,209	\$ 681,280	\$ 2,514,281	\$ 11,838,770
Investments	2,993,026	5,809,992	-	8,803,018
Receivables, net of allowances:				
Property taxes	1,011,804	-	-	1,011,804
Excise taxes	187,896	-	-	187,896
Departmental, user charges and other	-	-	161,475	161,475
Total Assets	<u>12,835,935</u>	<u>6,491,272</u>	<u>2,675,756</u>	<u>22,002,963</u>
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 12,835,935</u>	<u>\$ 6,491,272</u>	<u>\$ 2,675,756</u>	<u>\$ 22,002,963</u>
Liabilities:				
Warrants payable and accrued expenses	\$ 465,537	\$ -	\$ 92,517	\$ 558,054
Accrued payroll and withholdings	229,172	-	-	229,172
Unearned revenue	-	-	486,081	486,081
Decommissioning deposits	1,336,341	-	-	1,336,341
Other deposits	164,627	-	-	164,627
Bond anticipation notes payable	-	-	736,418	736,418
Total Liabilities	<u>2,195,677</u>	<u>-</u>	<u>1,315,016</u>	<u>3,510,693</u>
Deferred Inflows of Resources:				
Unavailable revenues - property taxes	960,933	-	-	960,933
Unavailable revenues - other	187,896	-	156,401	344,297
Total Deferred Inflows of Resources	<u>1,148,829</u>	<u>-</u>	<u>156,401</u>	<u>1,305,230</u>
Fund Balances:				
Restricted	-	-	1,715,837	1,715,837
Committed	2,222,255	6,491,272	-	8,713,527
Assigned	538,058	-	-	538,058
Unassigned	6,731,116	-	(511,498)	6,219,618
Total Fund Balances	<u>9,491,429</u>	<u>6,491,272</u>	<u>1,204,339</u>	<u>17,187,040</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 12,835,935</u>	<u>\$ 6,491,272</u>	<u>\$ 2,675,756</u>	<u>\$ 22,002,963</u>

See accompanying notes to basic financial statements.

TOWN OF BLACKSTONE, MASSACHUSETTS

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

Total Governmental Fund Balances	\$ 17,187,040
Capital assets used in governmental activities in the statement of net position are not financial resources and, therefore, are not reported in the funds.	18,471,957
Certain receivables and revenues are deferred in the governmental funds as they are not current financial resources. These revenues are accrued under the economic resources basis of accounting.	1,305,230
Deferred outflows and inflows of resources to be recognized in future expense are not available resources and, therefore, are not reported in the funds:	
Deferred outflows of resources - other postemployment benefits	1,512,188
Deferred outflows of resources - pensions	1,260,539
Deferred inflows of resources - other postemployment benefits	(622,741)
Deferred inflows of resources - pensions	<u>(875,468)</u>
Net effect of reporting deferred outflows and inflows of resources	1,274,518
Interest is accrued on outstanding long-term debt in the statement of net position but not in the funds until due.	(4,746)
Long-term liabilities not currently due and payable are reported in the statement of net position and not in the funds:	
Net other postemployment benefits liability	(4,176,633)
Net pension liability	(11,278,902)
Compensated absences	(438,317)
Capital lease obligations	(72,448)
Bonds and notes payable	<u>(295,000)</u>
Net effect of reporting long-term liabilities	<u>(16,261,300)</u>
Net Position — Governmental Activities	<u>\$ 21,972,699</u>

See accompanying notes to basic financial statements.

TOWN OF BLACKSTONE, MASSACHUSETTS

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

	General Fund	Capital Investment Fund	Nonmajor Governmental Funds	Total
Revenues:				
Property taxes, net of tax refunds	\$ 20,104,825	\$ -	\$ -	\$ 20,104,825
Intergovernmental	1,829,800	-	773,432	2,603,232
Motor vehicle and other excise taxes	1,412,442	-	-	1,412,442
Licenses and permits	543,570	-	-	543,570
Penalties and interest on taxes	157,130	-	-	157,130
Fines and forfeitures	22,342	-	-	22,342
Departmental and other revenues	399,862	-	700,663	1,100,525
Contributions and donations	-	-	154,847	154,847
Investment income	92,759	176,060	-	268,819
Total Revenues	<u>24,562,730</u>	<u>176,060</u>	<u>1,628,942</u>	<u>26,367,732</u>
Expenditures:				
Current:				
General government	2,029,196	-	193,312	2,222,508
Public safety	3,245,334	-	196,661	3,441,995
Education	11,524,630	-	57,938	11,582,568
Public works	2,003,136	-	451,096	2,454,232
Health and human services	433,060	-	96,639	529,699
Culture and recreation	642,677	-	53,740	696,417
Pension and fringe benefits	1,824,261	-	-	1,824,261
State and county charges	45,316	-	-	45,316
Debt service:				
Principal	155,000	-	-	155,000
Interest	25,077	-	-	25,077
Total Expenditures	<u>21,927,687</u>	<u>-</u>	<u>1,049,386</u>	<u>22,977,073</u>
Excess of Revenues Over Expenditures	<u>2,635,043</u>	<u>176,060</u>	<u>579,556</u>	<u>3,390,659</u>
Other Financing Sources (Uses):				
Transfers in	1,817,131	2,430,000	-	4,247,131
Transfers out	(3,282,894)	(1,369,721)	(447,410)	(5,100,025)
Total Other Financing Sources (Uses)	<u>(1,465,763)</u>	<u>1,060,279</u>	<u>(447,410)</u>	<u>(852,894)</u>
Change in Fund Balances	1,169,280	1,236,339	132,146	2,537,765
Fund Balances:				
Beginning of the year (as restated; see Note V)	8,322,149	5,254,933	1,072,193	14,649,275
End of the year	<u>\$ 9,491,429</u>	<u>\$ 6,491,272</u>	<u>\$ 1,204,339</u>	<u>\$ 17,187,040</u>

See accompanying notes to basic financial statements.

TOWN OF BLACKSTONE, MASSACHUSETTS

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

Change in Fund Balances — Total Governmental Funds \$ 2,537,765

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and depreciated over their estimated useful lives. Capital asset activity in the current fiscal year included:

Capital asset additions	787,438	
Depreciation expense	<u>(1,144,888)</u>	
Net effect of reporting capital activity		(357,450)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (191,588)

The issuance of long-term debt provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither has any effect on net position. Also, the governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued; whereas these amounts are deferred and amortized in the statement of activities. Differences in the treatment of long-term debt transactions in the current fiscal year included:

Repayments of long-term debt	155,000	
Repayments of capital lease obligations	<u>91,974</u>	
Net effect of reporting long-term debt activity		246,974

Some revenues/expenses reported in the statement of activities do not provide/require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds:

Net other postemployment benefits liability	(133,653)	
Net pension liability	(233,122)	
Compensated absences	27,792	
Accrued interest	<u>6,135</u>	
Net effect of reporting long-term liabilities		<u>(332,848)</u>

Change in Net Position — Governmental Activities \$ 1,902,853

See accompanying notes to basic financial statements.

TOWN OF BLACKSTONE, MASSACHUSETTS

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

	Business-Type Activities		
	Sewer	Water	Total
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 1,035,898	\$ 1,693,877	\$ 2,729,775
User charges receivable	<u>329,533</u>	<u>279,022</u>	<u>608,555</u>
Total Current Assets	<u>1,365,431</u>	<u>1,972,899</u>	<u>3,338,330</u>
Noncurrent Assets:			
Land	-	152,506	152,506
Construction in-progress	-	437,578	437,578
Depreciable capital assets, net	<u>7,031,750</u>	<u>8,022,295</u>	<u>15,054,045</u>
Total Noncurrent Assets	<u>7,031,750</u>	<u>8,612,379</u>	<u>15,644,129</u>
Total Assets	<u>8,397,181</u>	<u>10,585,278</u>	<u>18,982,459</u>
Deferred Outflows of Resources:			
Other postemployment benefits	49,311	82,184	131,495
Pensions	<u>41,104</u>	<u>68,508</u>	<u>109,612</u>
Total Deferred Outflows of Resources	<u>90,415</u>	<u>150,692</u>	<u>241,107</u>
Liabilities:			
Current Liabilities:			
Warrants and accounts payable	86,716	90,518	177,234
Accrued interest	50,987	37,555	88,542
Compensated absences	3,192	5,213	8,405
Bond anticipation note payable	-	405,500	405,500
Current portion of long-term debt	<u>452,113</u>	<u>212,888</u>	<u>665,001</u>
Total Current Liabilities	<u>593,008</u>	<u>751,674</u>	<u>1,344,682</u>
Noncurrent liabilities:			
Compensated absences	12,766	20,854	33,620
Net other postemployment benefits liability	136,195	226,991	363,186
Net pension liability	367,790	612,984	980,774
Long-term debt	<u>2,630,417</u>	<u>1,026,653</u>	<u>3,657,070</u>
Total Noncurrent Liabilities	<u>3,147,168</u>	<u>1,887,482</u>	<u>5,034,650</u>
Total Liabilities	<u>3,740,176</u>	<u>2,639,156</u>	<u>6,379,332</u>
Deferred Inflows of Resources:			
Other postemployment benefits	20,307	33,845	54,152
Pensions	<u>28,548</u>	<u>47,580</u>	<u>76,128</u>
Total Deferred Inflows of Resources	<u>48,855</u>	<u>81,425</u>	<u>130,280</u>
Net Position:			
Net investment in capital assets	3,949,220	6,967,338	10,916,558
Unrestricted	<u>749,345</u>	<u>1,048,051</u>	<u>1,797,396</u>
Total Net Position	<u>\$ 4,698,565</u>	<u>\$ 8,015,389</u>	<u>\$ 12,713,954</u>

See accompanying notes to basic financial statements.

TOWN OF BLACKSTONE, MASSACHUSETTS

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

	Business-Type Activities		
	Sewer	Water	Total
Operating Revenues:			
Charges for services	\$ 1,191,272	\$ 1,075,695	\$ 2,266,967
Operating Expenses:			
Payroll and personnel costs	242,964	417,856	660,820
Operating costs	555,884	398,231	954,115
Depreciation	223,887	332,814	556,701
Total Operating Expenses	<u>1,022,735</u>	<u>1,148,901</u>	<u>2,171,636</u>
Operating Income (Loss)	<u>168,537</u>	<u>(73,206)</u>	<u>95,331</u>
Nonoperating Revenues (Expenses):			
Interest expenses	<u>(132,298)</u>	<u>(58,906)</u>	<u>(191,204)</u>
Total Nonoperating Revenues (Expenses)	<u>(132,298)</u>	<u>(58,906)</u>	<u>(191,204)</u>
Loss Before Transfers	<u>36,239</u>	<u>(132,112)</u>	<u>(95,873)</u>
Transfers:			
Transfers in	662,082	200,337	862,419
Transfers out	<u>-</u>	<u>(9,525)</u>	<u>(9,525)</u>
Total Transfers	<u>662,082</u>	<u>190,812</u>	<u>852,894</u>
Change in Net Position	698,321	58,700	757,021
Net Position:			
Beginning of the year	<u>4,000,244</u>	<u>7,956,689</u>	<u>11,956,933</u>
End of the year	<u>\$ 4,698,565</u>	<u>\$ 8,015,389</u>	<u>\$ 12,713,954</u>

See accompanying notes to basic financial statements.

TOWN OF BLACKSTONE, MASSACHUSETTS

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

	Business-Type Activities		
	Sewer	Water	Total
Cash Flows from Operating Activities:			
Receipts from user charges	\$ 1,195,610	\$ 1,128,546	\$ 2,324,156
Payments to employees	(229,165)	(396,298)	(625,463)
Payments to vendors	(796,292)	(327,493)	(1,123,785)
Net Cash Provided By Operating Activities	170,153	404,755	574,908
Cash Flows from Noncapital Financial Activities:			
Transfers in	662,082	200,337	862,419
Transfers out	-	(9,525)	(9,525)
Net Cash Provided By Noncapital Financing Activities	662,082	190,812	852,894
Cash Flows from Capital and Related Financing Activities:			
Proceeds from the issuance of short-term debt	-	405,500	405,500
Acquisition and construction of capital assets	-	(499,351)	(499,351)
Principal repayments on long-term debt	(515,113)	(299,888)	(815,001)
Interest payments	(137,445)	(60,049)	(197,494)
Net Cash Used In Capital and Related Financing Activities	(652,558)	(453,788)	(1,106,346)
Net Change in Cash and Cash Equivalents	179,677	141,779	321,456
Cash and Cash Equivalents:			
Beginning of the year	856,221	1,552,098	2,408,319
End of the year	\$ 1,035,898	\$ 1,693,877	\$ 2,729,775
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:			
Operating Income (Loss)	\$ 168,537	\$ (73,206)	\$ 95,331
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities:			
Depreciation expense	223,887	332,814	556,701
Changes in assets, deferred outflows (inflows) of resources and liabilities:			
Receivables and other current assets	4,338	52,851	57,189
Warrants payable and other current liabilities	(240,408)	70,738	(169,670)
Accrued and deferred benefits payable	13,799	21,558	35,357
Net Cash Provided By Operating Activities	\$ 170,153	\$ 404,755	\$ 574,908

See accompanying notes to basic financial statements.

TOWN OF BLACKSTONE, MASSACHUSETTS

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

	<u>OPEB Trust</u>
Assets:	
Investments in SRBT	\$ 2,233,138
Total Assets	<u>2,233,138</u>
Liabilities:	
Warrants and accounts payable	<u>-</u>
Total Liabilities	<u>-</u>
Net Position:	
Restricted for other postemployment benefits	<u>2,233,138</u>
Total Net Position	<u>\$ 2,233,138</u>

See accompanying notes to basic financial statements.

TOWN OF BLACKSTONE, MASSACHUSETTS

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

	<u>OPEB Trust</u>
Additions:	
Employer contributions	\$ 398,431
Investment income:	
Interest and dividends	45,207
Net appreciation in fair value of investments	459,832
Less investment management fees	<u>(9,798)</u>
Total net investment income	<u>495,241</u>
Total Additions	<u>893,672</u>
Deductions:	
Benefits to retirees	<u>148,431</u>
Total Deductions	<u>148,431</u>
Change in Net Position	745,241
Net Position:	
Beginning of the year	<u>1,487,897</u>
End of the year	<u>\$ 2,233,138</u>

See accompanying notes to basic financial statements.

TOWN OF BLACKSTONE, MASSACHUSETTS

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

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town, which is located in Worcester County, is approximately thirty-seven miles southwest of Boston and thirty miles southeast of Worcester. The Town was incorporated as a town in 1845.

The Town operates under an open town meeting form of government with a five-member elected Board of Selectmen and an appointed Town Administrator who manages the Town’s daily executive and administrative duties. Selectmen serve staggered three-year terms. The Town provides governmental services for the territory within its boundaries, including police and fire protection, public education from kindergarten to grade twelve through a regional school district, library, sewer and water services, street maintenance, parks and recreational facilities. The sewer and water services are self-funded and reported as business enterprises.

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The Town reports the following major governmental funds:

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

Capital Investment Fund – is used to pay debt service costs of the Town. The Town is required to contribute annually 90% of the payment in lieu of taxes, or PILOT, monies it receives under an agreement with ANP Blackstone Energy Company LLC, a power generator. The release of funds from the capital investment fund requires the affirmative vote of two-thirds by the local legislative body at either the Annual Town Meeting or at a Special Town Meeting. Furthermore, monies may be expended from the capital investment fund for emergency purposes by a vote of the Selectmen and approval by the Director of Accounts of the Department of Revenue of the Commonwealth of Massachusetts.

Nonmajor Governmental Funds – consist of special revenue, capital projects funds 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:

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

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

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

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

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

The Town reports its sewer and water enterprise fund operations as major proprietary funds.

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

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

Deposits and Investments – The Town’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The Town reports its investments at fair value. When actively quoted observable prices are not available, the Town generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

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

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

The remaining investments not categorized under the fair value hierarchy as shown as being valued at either amortized cost or at net asset value (“NAV”). These are investments in nongovernmental entities for which readily determinable fair value is not available, such as member units or an ownership interest in partners’ capital to which a proportionate share of net assets is attributed. Investments at NAV are commonly calculated by subtracting the fair value of liabilities from the fair value of assets.

Receivables – Real estate and personal property taxes are assessed on January 1 every year. Bills are sent quarterly and are due on August 1, November 1, February 1, and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes up to the statutory percentage rate per annum. Property taxes levied are recorded as receivables in the fiscal year of the levy.

User charges receivables represent amounts billed for sewer and water usage. Sewer and water charges are billed semi-annual and are subject to penalties and interest if not paid by the respective due date.

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

tax, excise tax and other departmental receivables are shown net of an allowance for uncollectible accounts, which are comprised of those outstanding amounts greater than five years old, if material.

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

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

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

Building and improvements	20 to 50 years
Infrastructure	20 to 50 years
Machinery and equipment	5 to 10 years
Vehicles	5 to 7 years

In the case of buildings, building improvements and infrastructure, all purchases and construction costs exceeding \$25,000 are capitalized at the date of acquisition or construction if their expected lives are greater than two years. In the case of machinery, equipment and vehicles, all purchases exceeding \$5,000 are capitalized at the date of acquisition if their expected lives are greater than two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Interfund Balances – Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either due to/from other funds or advances to/from other funds. All other outstanding balances between funds are reported as due to/from other funds.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Interfund Transfers – During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out in the individual fund statements. Transfers between and within governmental and fiduciary funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the statement of activities as transfers, net.

Investment Income – Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by state law. Investment income of the proprietary funds is retained by the respective funds.

Compensated Absences – The Town permits employees to accumulate earned but unused vacation and sick-pay benefits. Amounts related to these benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only if they have matured.

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

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

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports items related to its net pension and OPEB liabilities as deferred outflows of resources in both its government-wide and business-type activities, which it expects to amortize into pension expense within the next six years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports items related to its net pension and OPEB liabilities as deferred inflows of resources in both its government-wide and business-type activities, which it expects to amortize into these personnel benefit expenses over the next six years, which will result in reductions in reported pension expense. In its governmental fund financial statements, the Town reports unavailable revenues as deferred inflows of resources within the governmental funds balance sheet. Unavailable revenues are derived from two sources – property taxes and other, which includes motor vehicle excise taxes and departmental revenues. The Town expects to recognize these items into revenue in the period(s) that these amounts become available.

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

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific use. Net position has been restricted for (1) state and federal grants, (2) gift and donation funds, (3) revolving funds and (4) other purposes.

Fund Equity – The Town presents fund balances in its governmental funds using classifications that comprise a hierarchy based primarily on the extent in which the Town is required to honor constraints on the specific purpose for which amounts in the funds can be spent.

Fund balance is reported in five components – nonspendable, restricted, committed, assigned, and unassigned as described below:

Nonspendable represents amounts that cannot be spent because they are either (a) not in spendable form (e.g., inventory or prepaid items) or (b) legally or contractually required to be maintained intact such as the corpus of an endowment.

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

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

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

Unassigned represents amounts that have not been restricted, committed or assigned to specific purposes within the Town’s governmental funds, primarily its general fund.

E. Use of Estimates

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

II. Detailed Notes to All Funds

A. Deposits and Investments

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

State laws and regulations require the Town to invest funds only in preapproved investment instruments which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and State Treasurer’s investment pool. In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation. During the fiscal year, the Town did not enter into any repurchase agreements.

Custodial Credit Risk: Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk relative to cash holdings. At June 30, 2021, \$1,693,741 in Town deposits were uninsured by the Federal Deposit Insurance Corporation or other depository insurance and was therefore exposed to custodial credit risk.

Custodial Credit Risk: Investments – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings. According to the Town’s investment policy, the Town mitigates this risk through diversification, the prudent selection of investment instruments and choice of depository.

All of the Town’s investments, while held by a counterparty, are registered in the Town’s name and are therefore not exposed to custodial credit risk. Furthermore, the Town’s investments are held in accounts insured by the Securities Investor Protection Corporation, or SIPC, and excess SIPC.

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

<u>Investments by Fair Value Level</u>	June 30, 2021	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt securities:				
U.S. Treasuries notes	\$ 1,775,970	\$ 1,775,970	\$ -	\$ -
U.S. Government agency obligations	803,575	-	803,575	-
Corporate fixed income	<u>4,393,229</u>	<u>-</u>	<u>4,393,229</u>	<u>-</u>
Total debt securities	<u>6,972,774</u>	<u>1,775,970</u>	<u>5,196,804</u>	<u>-</u>
Equity securities	1,144,196	1,144,196	-	-
Mutual funds	<u>686,048</u>	<u>-</u>	<u>686,048</u>	<u>-</u>
Total investments by fair value level	<u>8,803,018</u>	<u>\$ 2,920,166</u>	<u>\$ 5,882,852</u>	<u>\$ -</u>
Investments measured at NAV:				
SRBT	<u>2,233,138</u>			
Total investments at fair value	<u>\$ 11,036,156</u>			

The State Retirees Benefit Trust Fund (“SRBT”) investment is administered by the Commonwealth of Massachusetts’ Pension Reserve Investment Management Board, or PRIM. The determination of the fair value of these investments is subjective and the period-end values are reported to the System as NAV. Investments in the SRBT funds are generally more liquid than investments in private equity and real estate holdings, but generally cannot be resold to third parties. The Town may liquidate its investments in the SRBT funds at any time with less than thirty days’ notice.

Concentration of Credit Risk: Investments – The Town maintains a number of individual investments whose individual balances exceed 5% of the Town’s reported investment value, as illustrated in the following table:

<u>Security Name</u>	<u>Amount</u>	<u>Percentage</u>
HCST OPEB Master Trust	\$ 2,233,138	20.2%
U.S Treasury notes	1,775,970	16.1%

Interest Rate Risk: Investments – This is the risk that changes in interest rates will adversely affect the fair value of an investment. In general, the longer the maturity of an investment, the more sensitive it is to changes in market interest rates. According to the Town’s investment policy, the Town mitigates this risk through diversification, the prudent selection of investment instruments and choice of depository. The Town further mitigates this risk by keeping investment maturities within ten years.

At June 30, 2021, the Town had the following investment maturities:

<u>Investments</u>	<u>Fair Value</u>	<u>Time Until Maturity (in years)</u>		
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>
Debt securities:				
U.S. government obligations and notes	\$ 2,579,545	\$ 855,628	\$ 1,530,192	\$ 193,725
Corporate fixed income	<u>4,393,229</u>	<u>620,225</u>	<u>3,462,918</u>	<u>310,086</u>
Total debt securities	<u>6,972,774</u>	<u>\$ 1,475,853</u>	<u>\$ 4,993,110</u>	<u>\$ 503,811</u>
Other investments:				
Equity securities	1,144,196			
Mutual funds	686,048			
SRBT	<u>2,233,138</u>			
Total Investments	<u>\$ 11,036,156</u>			

Credit Risk: Investments – The following table summarizes the credit ratings issued by Standard and Poor’s Financial Services LLC, or S&P, for the Town’s debt securities at June 30, 2021.

S&P Rating	U.S. Government Obligations	Corporate Fixed Income	Total
AA+	\$ 2,579,545	\$ -	\$ 2,579,545
AA-	-	272,430	272,430
A+	-	1,561,494	1,561,494
A	-	310,086	310,086
A-	-	724,779	724,779
BBB+	-	849,342	849,342
BBB	-	675,098	675,098
	<u>\$ 2,579,545</u>	<u>\$ 4,393,229</u>	<u>\$ 6,972,774</u>

Credit ratings are not available for the Town’s investments in equity securities, mutual funds or the SRBT.

B. Receivables

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
Real estate and personal property taxes	\$ 225,070	\$ -	\$ 225,070
Tax liens	786,734	-	786,734
Excise taxes	335,896	(148,000)	187,896
Ambulance	428,401	(272,000)	156,401
Other departmental	5,074	-	5,074
	<u>\$ 1,781,175</u>	<u>\$ (420,000)</u>	<u>\$ 1,361,175</u>

Receivables as of year-end of the Town’s business-type funds consisted entirely of user charges. No allowances for uncollectible accounts were reported at June 30, 2021 in either the sewer or water enterprise funds.

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

	General Fund	Nonmajor Governmental Funds	Total
Real estate and personal property taxes	\$ 174,199	\$ -	\$ 174,199
Tax liens	786,734	-	786,734
Excise taxes	187,896	-	187,896
Ambulance	<u>-</u>	<u>156,401</u>	<u>156,401</u>
	<u>\$ 1,148,829</u>	<u>\$ 156,401</u>	<u>\$ 1,305,230</u>

C. Capital Assets

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

<u>Governmental Activities:</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 4,052,592	\$ -	\$ -	\$ 4,052,592
Capital assets being depreciated:				
Buildings and improvements	14,216,662	114,673	-	14,331,335
Infrastructure	18,355,571	552,921	-	18,908,492
Machinery and equipment	3,890,783	-	-	3,890,783
Vehicles	<u>2,218,383</u>	<u>119,844</u>	<u>-</u>	<u>2,338,227</u>
Total capital assets being depreciated	<u>38,681,399</u>	<u>787,438</u>	<u>-</u>	<u>39,468,837</u>
Less accumulated depreciation for:				
Buildings and improvements	(7,247,970)	(326,713)	-	(7,574,683)
Infrastructure	(12,245,168)	(436,706)	-	(12,681,874)
Machinery and equipment	(2,842,884)	(212,995)	-	(3,055,879)
Vehicles	<u>(1,568,562)</u>	<u>(168,474)</u>	<u>-</u>	<u>(1,737,036)</u>
Total accumulated depreciation	<u>(23,904,584)</u>	<u>(1,144,888)</u>	<u>-</u>	<u>(25,049,472)</u>
Total capital assets being depreciated, net	<u>14,776,815</u>	<u>(357,450)</u>	<u>-</u>	<u>14,419,365</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 18,829,407</u>	<u>\$ (357,450)</u>	<u>\$ -</u>	<u>\$ 18,471,957</u>

<u>Business-Type Activities - Combined</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 152,506	\$ -	\$ -	\$ 152,506
Construction in-progress	76,680	360,898	-	437,578
Total capital assets not being depreciated	<u>229,186</u>	<u>360,898</u>	<u>-</u>	<u>590,084</u>
Capital assets being depreciated:				
Buildings and improvements	2,344,780	-	-	2,344,780
Infrastructure	22,340,135	79,229	-	22,419,364
Machinery and equipment	1,005,141	59,224	-	1,064,365
Vehicles	102,522	-	-	102,522
Total capital assets being depreciated	<u>25,792,578</u>	<u>138,453</u>	<u>-</u>	<u>25,931,031</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,002,628)	(48,744)	-	(1,051,372)
Infrastructure	(8,466,416)	(455,656)	-	(8,922,072)
Machinery and equipment	(748,719)	(52,301)	-	(801,020)
Vehicles	(102,522)	-	-	(102,522)
Total accumulated depreciation	<u>(10,320,285)</u>	<u>(556,701)</u>	<u>-</u>	<u>(10,876,986)</u>
Total capital assets being depreciated, net	<u>15,472,293</u>	<u>(418,248)</u>	<u>-</u>	<u>15,054,045</u>
Total Business-Type Activities Capital Assets, Net	<u>\$ 15,701,479</u>	<u>\$ (57,350)</u>	<u>\$ -</u>	<u>\$ 15,644,129</u>

<u>Business-Type Activities: Sewer</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 1,169,780	\$ -	\$ -	\$ 1,169,780
Infrastructure	9,549,796	-	-	9,549,796
Machinery and equipment	151,649	-	-	151,649
Vehicles	27,522	-	-	27,522
Total capital assets being depreciated	<u>10,898,747</u>	<u>-</u>	<u>-</u>	<u>10,898,747</u>
Less accumulated depreciation for:				
Buildings and improvements	(525,878)	(25,244)	-	(551,122)
Infrastructure	(2,954,935)	(194,223)	-	(3,149,158)
Machinery and equipment	(134,775)	(4,420)	-	(139,195)
Vehicles	(27,522)	-	-	(27,522)
Total accumulated depreciation	<u>(3,643,110)</u>	<u>(223,887)</u>	<u>-</u>	<u>(3,866,997)</u>
Total capital assets being depreciated, net	<u>7,255,637</u>	<u>(223,887)</u>	<u>-</u>	<u>7,031,750</u>
Total Sewer Capital Assets, Net	<u>\$ 7,255,637</u>	<u>\$ (223,887)</u>	<u>\$ -</u>	<u>\$ 7,031,750</u>

(continued)

<u>Business-Type Activities: Water</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 152,506	\$ -	\$ -	\$ 152,506
Construction in-progress	<u>76,680</u>	<u>360,898</u>	<u>-</u>	<u>437,578</u>
Total capital assets not being depreciated	<u>229,186</u>	<u>360,898</u>	<u>-</u>	<u>590,084</u>
Capital assets being depreciated:				
Buildings and improvements	1,175,000	-	-	1,175,000
Infrastructure	12,790,339	79,229	-	12,869,568
Machinery and equipment	853,492	59,224	-	912,716
Vehicles	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>75,000</u>
Total capital assets being depreciated	<u>14,893,831</u>	<u>138,453</u>	<u>-</u>	<u>15,032,284</u>
Less accumulated depreciation for:				
Buildings and improvements	(476,750)	(23,500)	-	(500,250)
Infrastructure	(5,511,481)	(261,433)	-	(5,772,914)
Machinery and equipment	(613,944)	(47,881)	-	(661,825)
Vehicles	<u>(75,000)</u>	<u>-</u>	<u>-</u>	<u>(75,000)</u>
Total accumulated depreciation	<u>(6,677,175)</u>	<u>(332,814)</u>	<u>-</u>	<u>(7,009,989)</u>
Total capital assets being depreciated, net	<u>8,216,656</u>	<u>(194,361)</u>	<u>-</u>	<u>8,022,295</u>
Total Water Capital Assets, Net	<u>\$ 8,445,842</u>	<u>\$ 166,537</u>	<u>\$ -</u>	<u>\$ 8,612,379</u> <i>(concluded)</i>

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

General government	\$ 126,506
Public safety	177,697
Education	94,840
Public works	613,875
Health and human services	12,386
Culture and recreation	<u>119,584</u>
	<u>\$ 1,144,888</u>

D. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2021 are summarized as follows:

Transfers Out	Transfers In				Total	
	General Fund	Capital Investment Fund	Sewer Fund	Water Fund		
General Fund	\$ -	\$ 2,430,000	\$ 652,557	\$ 200,337	\$ 3,282,894	(1)
Capital Investment Fund	1,369,721	-	-	-	1,369,721	(2)
Nonmajor Governmental Funds	447,410	-	-	-	447,410	(3)
Water	-	-	9,525	-	9,525	(4)
	<u>\$ 1,817,131</u>	<u>\$ 2,430,000</u>	<u>\$ 662,082</u>	<u>\$ 200,337</u>	<u>\$ 5,109,550</u>	

- (1) The Town's local governing body approved the funding of \$2,430,000 to the capital investment fund. Additionally, the general fund paid debt service for the sewer and water funds of \$652,557 and \$200,337, respectively.
- (2) Transfers to general fund to fund capital articles.
- (3) Budgeted transfers from receipts reserved funds of \$376,145. Additionally, the Town transferred a number of prior period expenditures previously paid by the general fund from state and federal grants.
- (4) The water enterprise paid the OPEB costs of the sewer enterprise.

E. Temporary Debt

The Town is authorized to borrow on a temporary basis to fund current operating costs through revenue or tax anticipation notes or capital projects and other approved costs through bond anticipation notes (“BANs”) or state aid anticipation notes. In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount. Temporary notes are general obligations of the Town and carry maturity dates that are limited by state law. Temporary notes activity for fiscal year 2021 was as follows:

Type	Interest Rate	Maturity Date	Beginning Balance	Increases	Decreases	Ending Balance
BAN	1.80%	matured	\$ 481,480	\$ -	\$ (481,480)	\$ -
BAN	0.90%	7/15/2021	-	405,500	-	405,500
BAN	0.64%	9/10/2021	-	461,418	-	461,418
BAN	0.48%	5/5/2022	-	275,000	-	275,000
			<u>\$ 481,480</u>	<u>\$ 1,141,918</u>	<u>\$ (481,480)</u>	<u>\$ 1,141,918</u>

The BANs were issued to finance the following capital projects:

Town Hall repairs	\$ 461,418
Water engineering and design	405,500
Fire station repairs	150,000
Library repairs	85,000
Police cells	40,000
	<u>\$ 1,141,918</u>

F. Long-Term Obligations

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

The following reflects the current year activity in the Town's long-term liability:

Description of Issue	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
<i>Governmental Activities:</i>					
General obligation bonds	\$ 450,000	\$ -	\$ (155,000)	\$ 295,000	\$ 150,000
Capital lease obligations	164,422	-	(91,974)	72,448	35,568
Compensated absences	466,109	16,005	(43,797)	438,317	87,663
Net OPEB liability	3,330,389	2,453,211	(1,606,967)	4,176,633	-
Net pension liability	11,299,597	3,128,735	(3,149,430)	11,278,902	-
Total Governmental Activities	\$ 15,710,517	\$ 5,597,951	\$ (5,047,168)	\$ 16,261,300	\$ 273,231
<i>Business-Type Activities:</i>					
<i>Sewer</i>					
General obligation bonds	\$ 1,553,000	\$ -	\$ (398,000)	\$ 1,155,000	\$ 335,000
Direct borrowings and placements	2,044,643	-	(117,113)	1,927,530	117,113
Compensated absences	14,119	1,839	-	15,958	3,192
Net OPEB liability	108,600	79,997	(52,402)	136,195	-
Net pension liability	368,465	102,024	(102,699)	367,790	-
Total Business-Type Activities: Sewer	4,088,827	183,860	(670,214)	3,602,473	455,305
<i>Water</i>					
General obligation bonds	612,000	-	(227,000)	385,000	140,000
Direct borrowings and placements	927,429	-	(72,888)	854,541	72,888
Compensated absences	24,443	1,624	-	26,067	5,213
Net OPEB liability	180,999	133,327	(87,335)	226,991	-
Net pension liability	614,109	170,040	(171,165)	612,984	-
Total Business-Type Activities: Water	2,358,980	304,991	(558,388)	2,105,583	218,101
Total Business-Type Activities	\$ 6,447,807	\$ 488,851	\$ (1,228,602)	\$ 5,708,056	\$ 673,406

Long-term general obligation bonds and notes outstanding at June 30, 2021 are as follows:

Description	Interest Rate	Beginning Balance	Increased	Decreases	Ending Balance
<i>Governmental Activities:</i>					
General obligation bonds	2.00 - 5.00%	\$ 450,000	\$ -	\$ (155,000)	\$ 295,000
<i>Business-Type Activities - Sewer:</i>					
General obligation bonds	3.25 - 5.00%	\$ 1,553,000	\$ -	\$ (398,000)	\$ 1,155,000
USDA notes	4.15 - 4.25%	2,044,643	-	(117,113)	1,927,530
Total Business-Type Activities: Sewer		3,597,643	-	(515,113)	3,082,530
<i>Business-Type Activities - Water:</i>					
General obligation bonds	2.00 - 5.50%	612,000	-	(227,000)	385,000
USDA notes	4.75 - 5.00%	927,429	-	(72,888)	854,541
Total Business-Type Activities: Water		1,539,429	-	(299,888)	1,239,541
Total Business-Type Activities		\$ 5,137,072	\$ -	\$ (815,001)	\$ 4,322,071

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

Year Ended June 30,	Governmental Activities		Business-Type Activities: Combined	
	General Obligation Bonds			
	Principal	Interest		
2022	\$ 150,000	\$ 9,825	Direct Borrowings and Placements	Interest
2023	145,000	3,262		
	\$ 295,000	\$ 13,087	Principal	
2022	\$ 475,000	\$ 47,640	\$ 190,001	\$ 122,637
2023	475,000	30,101	190,001	114,125
2024	405,000	14,450	190,001	105,615
2025	185,000	3,700	190,001	97,103
2026	-	-	190,001	88,590
2027 - 2031	-	-	862,892	315,274
2032 - 2036	-	-	400,030	170,647
2037 - 2041	-	-	351,510	88,483
2042 - 2045	-	-	217,634	22,440
	\$ 1,540,000	\$ 95,891	\$ 2,782,071	\$ 1,124,914

Business-Type Activities: Sewer				
Year Ended June 30,	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2022	\$ 335,000	\$ 39,520	\$ 117,113	\$ 80,287
2023	335,000	26,163	117,113	75,378
2024	300,000	13,400	117,113	70,469
2025	185,000	3,700	117,113	65,560
2026	-	-	117,113	60,650
2027 - 2031	-	-	551,496	229,611
2032 - 2036	-	-	300,730	135,900
2037 - 2041	-	-	272,105	78,560
2042 - 2045	-	-	217,634	22,440
	<u>\$ 1,155,000</u>	<u>\$ 82,783</u>	<u>\$ 1,927,530</u>	<u>\$ 818,855</u>

Business-Type Activities: Water				
Year Ended June 30,	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2022	\$ 140,000	\$ 8,120	\$ 72,888	\$ 42,350
2023	140,000	3,938	72,888	38,747
2024	105,000	1,050	72,888	35,146
2025	-	-	72,888	31,543
2026	-	-	72,888	27,940
2027 - 2031	-	-	311,396	85,663
2032 - 2036	-	-	99,300	34,747
2037 - 2040	-	-	79,405	9,923
	<u>\$ 385,000</u>	<u>\$ 13,108</u>	<u>\$ 854,541</u>	<u>\$ 306,059</u>

Authorized and Unissued Debt – At June 30, 2021, the Town had \$4,594,500 in authorized and unissued debt relative to a water treatment plant.

G. Capital Lease Obligations

The Town is party to a noncancellable lease for the purchase of an HVAC system. For financial reporting purposes, this lease is accounted for as capital leases. The future minimum lease payments on this capital lease obligation and the present value of the minimum lease payments as of June 30, 2021 are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Amount</u>
2022	\$ 38,241
2023	<u>38,241</u>
Total minimum lease payments	76,482
Less amount representing interest	<u>(4,034)</u>
Present value of minimum lease payments	<u>\$ 72,448</u>

The HVAC system acquired through this capital lease has a historical cost of \$601,276 and accumulated depreciation of \$165,351 through June 30, 2021. The carrying value of the HVAC system is \$435,925 at June 30, 2021.

H. Fund Balances

The constraints on fund balances as listed in aggregate in the governmental funds balance sheet at June 30, 2021 are detailed as follows:

	<u>General</u>	<u>Capital Investment Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Restricted:				
General government	\$ -	\$ -	\$ 644,637	\$ 644,637
Public safety	-	-	816,208	816,208
Other purposes	-	-	254,992	254,992
Committed:				
General government	360,361	-	-	360,361
Public safety	9,081	-	-	9,081
Education	75,000	-	-	75,000
Public works	560,214	-	-	560,214
Other purposes	12,953	-	-	12,953
Subsequent year's articles	1,204,646	-	-	1,204,646
Capital investments	-	6,491,272	-	6,491,272
Assigned:				
Public works	92,452	-	-	92,452
Other purposes	39,539	-	-	39,539
Subsequent year's budget	406,067	-	-	406,067
Unassigned:				
General stabilization	3,341,175	-	-	3,341,175
Unrestricted	<u>3,389,941</u>	<u>-</u>	<u>(511,498)</u>	<u>2,878,443</u>
	<u>\$ 9,491,429</u>	<u>\$ 6,491,272</u>	<u>\$ 1,204,339</u>	<u>\$ 17,187,040</u>

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use, it is the Town's policy to use committed resources first, then assigned, and then unassigned as they are needed. The Town has not established financial policies with respect to maintaining minimum fund balance amounts.

Stabilization Funds – The Town maintains a general stabilization fund, which may be used for any municipal purpose upon a two-thirds vote of the Town Meeting. The balance of the fund is reported as unassigned fund balance in the general fund. The Town also maintains a capital investment fund, which is used for capital outlays and debt service purposes upon a two-thirds vote of the Town Meeting. The balance of the capital investment fund is reported as a committed fund balance in a separately reported major governmental fund.

Encumbrances – The Town’s encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal, approved purchasing activity as assigned, and (2) classify encumbrances that result from an action of the Town Meeting as committed. Encumbrances of funds already restricted or committed are included within the classification of those fund balances and not reported separately.

I. Excess of Expenditures Over Appropriations and Deficits

During the fiscal year ended June 30, 2021, there were no instances where expenditures materially exceeded appropriations.

The Town incurred deficits of \$511,498 for a number of capital projects. These deficits will be funded through available revenues, grant funds or bond proceeds in future fiscal years.

J. PILOT Program

ANP Blackstone Energy Company LLC (“ANP”) is a power generation company located in the Town. Payment in Lieu of Taxes, or PILOT, agreements between municipalities and power providers are permitted under the provisions of the electric deregulation legislation enacted by the Commonwealth of Massachusetts in 1997.

ANP and the Town initially entered into a PILOT agreement effective July 1, 2006. On October 2, 2019, the Town executed a new ten-year PILOT agreement with ANP, which commenced on July 1, 2020. Under the terms of the July 1, 2020 PILOT agreement, ANP agreed to make PILOT payments in the annualized amount of \$2,700,000 per year plus an annual growth factor adjustment determined by the Town for the duration of the agreement. In the event ANP makes capital improvements to its Blackstone plant or adds new personal property or equipment to the Blackstone plant that would increase its value, the remaining annual payments will be increased based on the then-current tax rate in effect at the time of the capital improvement or personal property or equipment additions. Conversely, to the extent ANP retires or removes property from the Blackstone plant, decreases to the annual payments will apply based on the then-current tax rate in effect at the time of the retirement or removal.

In fiscal year 2021, the Town received \$2,700,000 from ANP in PILOT payments, which is reported as property taxes in these basic financial statements.

III. Other Information

A. Retirement System

Pension Plan Description – The Town contributes to the Worcester Regional Retirement System (the “Retirement System”), a cost-sharing multiple-employer defined benefit pension plan. The Retirement System was established under Chapter 32 of Massachusetts General Laws (“MGL”). The Retirement System is administered by the Worcester Regional Retirement Board (the “Retirement Board”). Stand-alone financial statements for the year ended December 31, 2020 were issued and are available by submitting a request to the Retirement System at 23 Midstate Drive, Suite 106, Auburn, Massachusetts 01501.

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

Active members	7,137
Inactive members entitled to, but not receiving benefits	2,414
Inactive members (or beneficiaries) currently receiving benefits	<u>3,941</u>
	<u>13,492</u>

Benefit Terms – Membership in the Retirement System is mandatory for all full-time employees and nonseasonal, part-time employees who, in general, regularly work more than twenty hours per week. Members of the Retirement System do not participate in the federal Social Security retirement system.

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

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

- Normal retirement generally occurs at age 65. However, participants may retire after twenty years of service or at any time after attaining age 55, if hired prior to April 2, 2012 or at any time after attaining age 60 if hired on or after April 2, 2012. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years’ creditable service in order to retire at age 55. Participants become vested after ten years of service. Benefits commencing before age 65 are provided at a reduced rate. Members working in certain occupations may retire with full benefits earlier than age 65.
- Ordinary disability retirement is where a participant is permanently incapacitated from a cause unrelated to employment. Accidental disability retirement is where the disability is the result of an injury or illness received or aggravated in the performance of duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of service, average compensation and veteran status.
- Survivor benefits are extended to eligible beneficiaries of participants whose death occurs prior to or following retirement.

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

The Retirement System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated

contributions specified in sections or provisions of such laws. There were no significant changes to the Retirement System's benefit terms in calendar year 2020.

Contributions Requirements – Under current MGL participating employers are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method. The Retirement System is required to be fully funded by June 30, 2040.

The Town contributed \$928,294 to the Retirement System in fiscal year 2021, which equaled the actuarially determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll were approximately 23% in fiscal year 2021.

Net Pension Liability – At June 30, 2021, the Town reported a liability of \$12,259,676 for its proportionate share of the net pension liability. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020 and rolled forward to December 31, 2020, the measurement date. There were no material changes to the Retirement System's benefit terms since the actuarial valuation. The Retirement System changed several actuarial assumptions used in the latest valuation update; the most notable assumption change was a reduction in the discount rate to 7.5% from 7.65%.

The Town's proportion of the net pension liability is based on a projection of the Town's long-term share of contributions to the Retirement System relative to the projected contributions of all employers. The Town's proportion was approximately 1.38% at December 31, 2020 and 2019.

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

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

Pension Expense – The Town recognized \$1,181,688 in pension expense in the statement of activities in fiscal year 2021.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 16,678	\$ 318,186
Changes of assumptions	758,955	-
Net difference between projected and actual earnings on pension plan investments	-	633,410
Changes in proportion and differences between Town contributions and proportionate share of contributions	<u>594,518</u>	<u>-</u>
	<u>\$ 1,370,151</u>	<u>\$ 951,596</u>

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

<u>Year Ended June 30,</u>	
2021	\$ 273,070
2022	198,820
2023	(113,949)
2024	38,940
2025	<u>21,674</u>
	<u>\$ 418,555</u>

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

Inflation:	2.2% per year
Salary increases:	Group 1: 4.25%-6.00%, based on service Group 4: 4.75%-7.00%, based on service
Investment rate of return:	7.5%, net of pension plan investment expense, including inflation (previously 7.65%)
Mortality rates:	Based on the RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2018

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

in the Retirement System’s target allocation as of December 31, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global equity	39%	4.38%
Core fixed income	15%	0.05%
Value-added fixed income	8%	4.00%
Private equity	13%	8.00%
Real estate	10%	3.80%
Timber/natural resources	4%	4.40%
Portfolio completion	11%	3.00%

Discount Rate – The discount rate used to measure the total pension liability was 7.5%, which is a reduction from the previous rate of 7.65%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made in accordance with Sections 22D and 22F of Chapter 32 of MGL. Based on those assumptions, the Retirement System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis – The following presents the Town’s proportionate share of the net pension liability calculated using the current discount rate of 7.5% as well as the Town’s proportionate share of the net pension liability using a discount rate that is 1.0% lower or higher than the current rate:

Current Discount Rate	Net Pension Liability At		
	1% Decrease	Current Rate	1% Increase
7.50%	\$ 15,103,065	\$ 12,259,676	\$ 9,858,893

B. Other Postemployment Benefits

The Town administers a single-employer defined benefit healthcare plan (the “OPEB Plan”). The OPEB Plan provides health and life insurance benefits (other postemployment benefits) to current and future retirees, their dependents and beneficiaries in accordance with Section 20 of Chapter 32B of MGL.

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

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

Inactive employees or beneficiaries receiving benefits	13
Active employees	<u>67</u>
	<u>80</u>

Contributions – The contribution requirements of OPEB Plan members and the Town are established and may be amended by the Town. Retirees contribute 50% of the calculated health insurance contribution and 100% of the cost of life insurance. The remainder of the cost is funded by the Town. The Town currently contributes enough money to the OPEB Plan to satisfy current obligations on a pay-as-you-go basis plus additional contributions in varying amounts annually. The costs of administering the OPEB Plan are paid by the Town. For the year ended June 30, 2021, the Town’s average contribution rate was approximately 8.6% of covered payroll.

Net OPEB Liability – The Town’s net OPEB liability was determined using an actuarial valuation as of July 1, 2020 and a measurement date of June 30, 2021. The components of the net OPEB liability of the Town at June 30, 2021 were as follows:

Total OPEB liability	\$ 6,772,957
Plan fiduciary net position	<u>2,233,138</u>
Net OPEB liability	<u>\$ 4,539,819</u>
Plan fiduciary net position as a percentage of the total OPEB liability	33.0%

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

Actuarial cost method	Entry age normal
Contributions	Annual Town contributions of \$250,000
Inflation	2.2% (previously 2.4%)
Investment rate of return	6.8%, compounded annually, net of fees (previously 7.3%)
Discount rate	6.8%, compounded annually, net of fees (previously 7.3%)
Healthcare cost trend rates	7.0% for 2020, decreasing 0.4% per year to 5.4%, then grading down to an ultimate trend rate of 4.0% in 2075
Pre-retirement Mortality	RP-2014 Blue Collar Mortality Table projected with generational mortality improvement using Scale MP-2018
Post-retirement Mortality	RP-2014 Blue Collar Mortality Table projected with generational mortality improvement using Scale MP-2018

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

weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rates of Return
Global equity	39%	4.38%
Core fixed income	15%	0.05%
Value-added fixed income	8%	4.00%
Private equity	13%	8.00%
Real estate	10%	3.80%
Timberland	4%	4.40%
Portfolio completion strategies	11%	3.00%

Discount Rate – The discount rate used to measure the total OPEB liability was 6.8%, which represents the long-term expected rate of return on OPEB Plan investments to the extent that the OPEB Plan’s assets are sufficient to pay benefits; and a tax-exempt, high-quality municipal bond rate to the extent that the conditions for sue of the long-term expected rate of return are not met. The discount rate was reduced from 7.3% in the most recent actuarial valuation.

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

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	<i>(a)</i>	<i>(b)</i>	<i>(a) - (b)</i>
Balances at June 30, 2020	\$ 5,107,885	\$ 1,487,897	\$ 3,619,988
Changes for the year:			
Service cost	229,141	-	229,141
Interest	384,185	-	384,185
Changes in benefit terms	-	-	-
Experience differences	728,666	-	728,666
Changes in assumptions	471,511	-	471,511
Employer contributions	-	398,431	(398,431)
Net investment income	-	495,241	(495,241)
Benefit payments	(148,431)	(148,431)	-
Net changes	1,665,072	745,241	919,831
Balances at June 30, 2021	\$ 6,772,957	\$ 2,233,138	\$ 4,539,819

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

Current Discount Rate	Net Pension Liability At		
	1% Decrease	Current Rate	1% Increase
6.80%	\$ 5,729,791	\$ 4,539,819	\$ 3,593,380

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

Current Trend Rate	Net Pension Liability At		
	1% Decrease	Current Rate	1% Increase
7% Year 1 Decreasing to 4.0%	\$ 3,445,016	\$ 4,539,819	\$ 5,956,348

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2021, the Town recognized OPEB expense of \$543,706. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2021 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 668,396	\$ 428,603
Changes of assumptions	975,287	-
Net difference between projected and actual earnings on OPEB Plan investments	-	248,290
	<u>\$ 1,643,683</u>	<u>\$ 676,893</u>

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

Year Ended June 30,	
2022	\$ 51,019
2023	56,219
2024	51,805
2025	35,883
2026	110,804
Thereafter	661,060
	<u>\$ 966,790</u>

Investment Custody – In accordance with MGL, the Town Treasurer is the custodian of the OPEB Plan and since the Town has not designated a Board of Trustees, the Town Treasurer is also the Trustee and as such is responsible for the general supervision of the management, investment and reinvestment of the OPEB Plan assets. OPEB Plan assets may be invested and reinvested by the custodian consistent with the prudent investor rule established under MGL and may, with the approval of the State Retiree Benefits Trust Fund Board of Trustees, be invested in the State Retiree Benefits Trust Fund. OPEB Plan assets must be segregated from other funds and not be subject to the claims of any general creditor of the Town.

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

Investment Rate of Return – For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was approximately 30.1%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

C. Risk Financing

The Town is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; natural disasters; and various employee benefits including health, worker's compensation, and unemployment compensation. The Town essentially transfers its risk through payment of its annual assessment, which is adjusted according to the Town's experience history. All insurance except is carried through conventional, commercial carriers. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

D. Commitments and Contingencies

General – The Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability at June 30, 2021, cannot be determined, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2021.

Appellate Tax Board – The Town has pending cases filed with the Massachusetts Appellate Tax Board of the Commonwealth of Massachusetts ("ATB"). At June 30, 2021, a single ATB case was outstanding and pertained to commercial properties with assessed values of approximately \$12.0 million. The Town cannot estimate at this time the amount of previously assessed property taxes (and interest) that may be refunded to these taxpayers, if any. Furthermore, the Town cannot determine the likelihood of the taxpayers' success at the ATB. Therefore, no such loss provision has been made in the Town's basic financial statements.

Grant Compliance – Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The Town expects such amounts, if any, to be immaterial.

Arbitrage – The Town is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties. The Town expects the amount if any, in these situations, to be immaterial.

IV. Implementation of New GASB Pronouncements

A. Current Year Implementations

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

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

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

B. Future Year Implementations

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

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

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

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

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

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

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

V. Restatement

The adoption of GASB Statement No. 84 required certain accounts previously reported as agency accounts in the Statement of Fiduciary Activities to be reclassified into nonmajor governmental funds. The following table illustrates the effect of adoption of this accounting standard:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
Net position at June 30, 2020 — as reported	\$ 20,114,827	\$ 11,956,933	\$ 32,071,760	
Adoption of GASB Statement No. 84	<u>(44,981)</u>	<u>-</u>	<u>(44,981)</u>	
Net position at June 30, 2020 — as restated	<u>\$ 20,069,846</u>	<u>\$ 11,956,933</u>	<u>\$ 32,026,779</u>	
	<u>General Fund</u>	<u>Capital Investment Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances at June 30, 2020 — as reported	\$ 8,322,149	\$ 5,254,933	\$ 1,117,174	\$ 14,694,256
Adoption of GASB Statement No. 84	<u>-</u>	<u>-</u>	<u>(44,981)</u>	<u>(44,981)</u>
Fund balances at June 30, 2020 — as restated	<u>\$ 8,322,149</u>	<u>\$ 5,254,933</u>	<u>\$ 1,072,193</u>	<u>\$ 14,649,275</u>

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TOWN OF BLACKSTONE, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLAN**

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

(dollar amounts are in thousands)

Year Ended June 30,	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	1.380%	\$ 12,260	\$ 4,098	299.2%	50.3%
2020	1.380%	12,282	3,806	322.7%	47.4%
2019	1.318%	11,948	4,022	297.1%	43.1%
2018	1.320%	10,736	3,862	278.0%	46.4%
2017	1.200%	10,083	3,730	270.3%	42.0%
2016	1.200%	8,521	3,312	257.3%	44.5%
2015	1.660%	9,865	3,185	309.7%	47.9%

SCHEDULE OF THE TOWN'S CONTRIBUTIONS TO THE PENSION PLAN

(dollar amounts are in thousands)

Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	\$ 928	\$ 928	\$ -	\$ 4,098	22.6%
2020	840	840	-	3,806	22.1%
2019	734	734	-	4,022	18.2%
2018	666	666	-	3,862	17.2%
2017	584	584	-	3,730	15.7%
2016	540	540	-	3,312	16.3%
2015	655	655	-	3,185	20.6%

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

See accompanying independent auditors' report.

TOWN OF BLACKSTONE, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN**

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

(dollar amounts are in thousands)

	Year Ended June 30,				
	2021	2020	2019	2018	2017
Total OPEB Liability:					
Service cost	\$ 229	\$ 220	\$ 195	\$ 188	\$ 180
Interest	384	355	325	293	262
Changes in benefit terms	-	(121)	-	-	-
Differences between actual and expected experience	729	-	(580)	-	-
Changes in assumptions	471	188	525	-	-
Benefit payments	<u>(148)</u>	<u>(100)</u>	<u>(65)</u>	<u>(54)</u>	<u>(31)</u>
Net Change in Total OPEB Liability	<u>1,665</u>	<u>542</u>	<u>400</u>	<u>427</u>	<u>411</u>
Total OPEB Liability:					
Beginning of year	<u>5,108</u>	<u>4,566</u>	<u>4,166</u>	<u>3,739</u>	<u>3,328</u>
End of year (a)	<u>\$ 6,773</u>	<u>\$ 5,108</u>	<u>\$ 4,566</u>	<u>\$ 4,166</u>	<u>\$ 3,739</u>
Plan Fiduciary Net Position:					
Contributions	\$ 398	\$ 350	\$ 315	\$ 304	\$ 281
Net investment income	495	28	61	78	58
Benefit payments	<u>(148)</u>	<u>(100)</u>	<u>(65)</u>	<u>(54)</u>	<u>(31)</u>
Net Change in Plan Fiduciary Net Position	<u>745</u>	<u>278</u>	<u>311</u>	<u>328</u>	<u>308</u>
Plan Fiduciary Net Position:					
Beginning of year	<u>1,488</u>	<u>1,210</u>	<u>899</u>	<u>571</u>	<u>263</u>
End of year (b)	<u>\$ 2,233</u>	<u>\$ 1,488</u>	<u>\$ 1,210</u>	<u>\$ 899</u>	<u>\$ 571</u>
Net OPEB Liability — End of Year	<u>\$ 4,540</u>	<u>\$ 3,620</u>	<u>\$ 3,356</u>	<u>\$ 3,267</u>	<u>\$ 3,168</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	32.97%	29.13%	26.50%	21.58%	15.27%
Covered payroll	\$ 4,645	\$ 4,945	\$ 4,554	\$ 3,980	\$ 3,701
Net OPEB Liability as a Percentage of Covered Payroll	97.74%	73.21%	73.69%	82.09%	85.60%

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

See accompanying independent auditors' report.

TOWN OF BLACKSTONE, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN**

SCHEDULE OF CONTRIBUTIONS

(dollar amounts are in thousands)

	Year Ended June 30,				
	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 454	\$ 434	\$ 402	\$ 378	\$ 435
Contributions in relation to the actuarially determined contribution	(398)	(350)	(315)	(304)	(281)
Contribution deficiency (excess)	<u>\$ 56</u>	<u>\$ 84</u>	<u>\$ 87</u>	<u>\$ 74</u>	<u>\$ 154</u>
Covered payroll	\$ 4,645	\$ 4,945	\$ 4,554	\$ 3,980	\$ 3,701
Contribution as a percentage of covered payroll	8.57%	7.08%	6.92%	7.64%	7.59%

Notes to Schedule:

Inflation	2.40% per annum
Investment rate of return	6.8% compounded annually, net of fees (previously 7.3% in 2020)
Municipal bond rate	2.16% as of June 30, 2021 (previously 2.21% in 2020)
Single equivalent discount rate	6.8% compounded annually, net of fees (previously 7.3% in 2020)
Healthcare cost trend rates	7.0% for 2020, decreasing 0.4% per year to 5.4%, then grading down to an ultimate trend rate of 4.0% in 2075
Pre-retirement mortality	RP-2014 Blue Collar Mortality Table projected with generational mortality improvement using Scale MP-2018
Post-retirement mortality	RP-2014 Blue Collar Mortality Table projected with generational mortality improvement using Scale MP-2018

SCHEDULE OF INVESTMENT RETURNS

	Year Ended June 30,				
	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expenses	30.07%	1.96%	5.50%	9.79%	12.37%

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

See accompanying independent auditors' report.

TOWN OF BLACKSTONE, MASSACHUSETTS

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

	Budgeted Amounts		Actual Budgetary Amounts	Articles and Encumbrances	Actual Budgetary Adjusted	Positive (Negative) Variance
	Original Budget	Final Budget				
Revenues:						
Property taxes, net of tax refunds	\$ 20,072,498	\$ 20,072,498	\$ 20,213,580		\$ 20,213,580	\$ 141,082
Intergovernmental	1,830,046	1,830,046	1,829,800		1,829,800	(246)
Motor vehicle and other excise taxes	1,094,250	1,094,250	1,412,442		1,412,442	318,192
Licenses and permits	160,000	160,000	543,570		543,570	383,570
Penalties and interest on taxes	75,000	75,000	157,130		157,130	82,130
Fines and forfeitures	19,000	19,000	22,342		22,342	3,342
Departmental and other revenues	165,000	165,000	399,862		399,862	234,862
Investment income	5,000	5,000	11,937		11,937	6,937
Total Revenues	23,420,794	23,420,794	24,590,663		24,590,663	1,169,869
Expenditures:						
General government	2,685,360	2,697,244	2,029,196	\$ 370,436	2,399,632	297,612
Public safety	3,509,823	3,509,719	3,245,334	11,098	3,256,432	253,287
Education	11,540,195	11,641,643	11,524,630	75,000	11,599,630	42,013
Public works	2,713,280	2,849,541	2,003,136	652,666	2,655,802	193,739
Health and human services	472,935	472,936	433,060	-	433,060	39,876
Culture and recreation	718,828	712,828	642,677	39,933	682,610	30,218
Pension and fringe benefits	1,990,372	1,980,372	1,684,357	467	1,684,824	295,548
State and county charges	45,271	45,316	45,316	-	45,316	-
Debt service	1,032,980	1,032,980	1,032,971	-	1,032,971	9
Total Expenditures	24,709,044	24,942,579	22,640,677	\$ 1,149,600	23,790,277	1,152,302
Other Financing Sources (Uses):						
Transfers in	1,861,562	1,861,562	1,905,827		1,905,827	44,265
Transfers out	(2,658,600)	(2,658,600)	(2,658,600)		(2,658,600)	-
Total Other Financing Sources (Uses)	(797,038)	(797,038)	(752,773)		(752,773)	44,265
(Deficiency) Excess of Revenues and Other Financing Sources over Expenditures and Other Financing Uses						
	(2,085,288)	(2,318,823)	\$ 1,197,213		\$ 47,613	\$ 2,366,436
Other Budgetary Items:						
Prior year encumbrances	1,495,937	1,495,937				
Free cash	634,667	868,202				
Other items	(45,316)	(45,316)				
Total Other Budgetary Items	2,085,288	2,318,823				
Net Budget	\$ -	\$ -				

See notes to required supplementary information.

See accompanying independent auditors' report.

TOWN OF BLACKSTONE, MASSACHUSETTS

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

An annual budget is legally adopted for the general fund. Financial orders are initiated by the Town Administrator, recommended by the Town Finance Committee and approved at the Annual Town Meeting each spring. At the close of each fiscal year, unencumbered appropriation balances lapse and revert to unassigned fund balance.

The Town’s general fund is prepared using the Uniform Municipal Accounting System basis of accounting as prescribed by the Massachusetts Department of Revenue, which is not GAAP. The “actual” results column of the Schedule of Revenues, Expenditures and Changes in Fund Equity – Budgetary Basis is presented on a budgetary basis to provide a meaningful comparison with the budget. A complete reconciliation is provided below:

	<u>Basis of Accounting Differences</u>	<u>Fund Perspective Differences</u>	<u>Total</u>
Revenues — Budgetary Basis			\$ 24,590,663
Revenue recognition	\$ (108,755)	\$ -	(108,755)
Stabilization revenue	-	80,822	80,822
Revenues — GAAP Basis	<u>\$ (108,755)</u>	<u>\$ 80,822</u>	<u>\$ 24,562,730</u>
Expenditures — Budgetary Basis			\$ 22,640,677
OPEB transfer recognition	\$ -	\$ 228,600	228,600
Debt service transfers	-	(852,894)	(852,894)
Enterprise funds indirect costs	(88,696)	-	(88,696)
Expenditures — GAAP Basis	<u>\$ (88,696)</u>	<u>\$ (624,294)</u>	<u>\$ 21,927,687</u>
Net Transfers and Other Sources — Budgetary Basis			\$ (752,773)
OPEB transfer recognition	\$ -	\$ 228,600	228,600
Debt service transfers	-	(852,894)	(852,894)
Enterprise funds indirect costs	(88,696)	-	(88,696)
Net Transfers and Other Sources — GAAP Basis	<u>\$ (88,696)</u>	<u>\$ (624,294)</u>	<u>\$ (1,465,763)</u>