

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF PRINCETON, MASSACHUSETTS

Report on Examination of the Basic Financial Statements and
Additional Information

Year Ended June 30, 2022



TOWN OF PRINCETON, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Selectboard
Town of Princeton, Massachusetts

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Princeton, Massachusetts, (the "Town") as of and for the year ended June 30, 2022 (except for the Princeton Municipal Light Department, which is as of December 31, 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.

In our opinion, based on our audit and the report of the other auditors, the basic 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, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended (except for the Princeton Municipal Light Department, which is as of and for the year ended December 31, 2021) in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Princeton Municipal Light Department, a component unit of the Town. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as it relates to the amounts included for the Princeton Municipal Light Department is based solely on the report of the other auditors.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and 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 these 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

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
March 6, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the Town of Princeton, Massachusetts (the "Town"), we offer readers of the Town's accompanying financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2022. 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 nearly \$23.8 million (*total net position*).
- The Town's total net position increased over \$1.1 million year-over-year. The Town reported increases in net position in its governmental activities and business-type activities of approximately \$0.6 million and \$0.5 million, respectively, in fiscal year 2022.
- As of the close of the current year fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance of approximately \$4.1 million, which was over \$2.0 million greater than the prior year. This increase was due primarily to the Town's issuance of over \$2.1 million in general obligation bonds and associated premiums in September 2021.
- The Town's unassigned fund balance reported in the general fund was nearly \$2.2 million, while the total fund balance reported in the general fund exceeded \$3.0 million at June 30, 2022. The unassigned fund balance represented approximately 19.5% of fiscal year 2022 general fund expenditures.
- The Town's total long-term debt in its governmental activities increased nearly \$1.6 million in fiscal year 2022, while the long-term debt balance in its business-type activities decreased over \$0.6 million.

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

Both 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, education, health and human services, culture and recreation, fringe benefits and debt service. The business-type activities of the Town are made up entirely of the financial activities of the Princeton Municipal Light Department ("PMLD").

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

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

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

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 and capital projects fund, which are considered major funds. 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 after the footnotes to the financial statements.

Proprietary Funds – *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town utilizes the proprietary funds to report activities of its enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its electric utility activities.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town’s own programs. The accounting used for fiduciary funds is much like that used for business-type 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 (“OPEB”) 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 past two fiscal years are as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
<u>Assets</u>						
Current and other assets	\$ 7,692,003	\$ 6,730,675	\$ 3,912,898	\$ 3,829,442	\$ 11,604,901	\$ 10,560,117
Capital assets, net	20,515,135	20,120,743	8,447,544	8,691,051	28,962,679	28,811,794
Total assets	28,207,138	26,851,418	12,360,442	12,520,493	40,567,580	39,371,911
<u>Deferred outflows of resources</u>	1,100,590	400,917	611,915	670,548	1,712,505	1,071,465
<u>Liabilities</u>						
Long-term liabilities	7,258,200	5,114,693	5,093,155	5,656,747	12,351,355	10,771,440
Other liabilities	3,122,713	3,926,273	954,290	1,029,366	4,077,003	4,955,639
Total liabilities	10,380,913	9,040,966	6,047,445	6,686,113	16,428,358	15,727,079
<u>Deferred inflow of resources</u>	1,188,611	1,085,984	911,367	1,018,270	2,099,978	2,104,254
<u>Net Position</u>						
Net investment in capital assets	15,393,750	16,641,716	5,296,522	4,907,268	20,690,272	21,548,984
Restricted	2,279,201	1,966,226	1,483,809	1,255,710	3,763,010	3,221,936
Unrestricted	65,253	(1,482,557)	(766,786)	(676,320)	(701,533)	(2,158,877)
Net Position	<u>\$ 17,738,204</u>	<u>\$ 17,125,385</u>	<u>\$ 6,013,545</u>	<u>\$ 5,486,658</u>	<u>\$ 23,751,749</u>	<u>\$ 22,612,043</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflow of resources at the close of the most recent fiscal year by nearly \$23.8 million (*total net position*), which is more than \$1.1 greater than the prior year's balance.

The largest portion (approximately \$20.7 million) of the Town's net position reflects its investment in capital assets less any related debt and payables 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, 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 significant portion of the Town's total net position (approximately \$3.8 million) represents resources that are subject to external restrictions on how they may be used.

The remaining category represents *unrestricted net position*, which is currently in a deficit position of over \$0.7 million. The Town reports a positive net position of approximately \$65,000 in its governmental activities and a deficit of nearly \$0.8 million in the business-type activities. The Town's accounting and reporting of future pension and OPEB obligations resulted in the recognition of nearly \$4.5 million and \$2.6 million, respectively, in liabilities (and corresponding decrease in unrestricted net position) in the Town's governmental activities and business-type activities. The Town expects that its deficit in unrestricted net position will continue to increase for the foreseeable future until a mechanism to more adequately fund its annual OPEB liability is in place.

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

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues:						
Charges for services	\$ 599,298	\$ 665,570	\$ 4,079,838	\$ 3,974,737	\$ 4,679,136	\$ 4,640,307
Operating grants and contributions	591,083	569,765	-	-	591,083	569,765
Capital grants and contributions	194,923	542,386	-	-	194,923	542,386
General revenues:						
Property taxes	9,945,945	9,529,796	-	-	9,945,945	9,529,796
Excise taxes	659,678	643,945	-	-	659,678	643,945
Intergovernmental	325,407	314,403	-	-	325,407	314,403
Other	83,783	352,415	10,766	24,177	94,549	376,592
Total revenues	12,400,117	12,618,280	4,090,604	3,998,914	16,490,721	16,617,194
Expenses						
General government	1,216,749	1,212,258	-	-	1,216,749	1,212,258
Public safety	1,985,978	2,015,666	-	-	1,985,978	2,015,666
Education	5,889,378	5,842,343	-	-	5,889,378	5,842,343
Public works	2,140,521	1,886,665	-	-	2,140,521	1,886,665
Health and human services	166,673	161,783	-	-	166,673	161,783
Culture and recreation	344,178	274,425	-	-	344,178	274,425
Debt service	43,821	77,630	-	-	43,821	77,630
Electric Light services	-	-	3,563,717	3,732,336	3,563,717	3,732,336
Total expenses	11,787,298	11,470,770	3,563,717	3,732,336	15,351,015	15,203,106
Change in net position	612,819	1,147,510	526,887	266,578	1,139,706	1,414,088
Net position, beginning of year	17,125,385	15,977,875	5,486,658	5,220,080	22,612,043	21,197,955
Net position, end of year	\$ 17,738,204	\$ 17,125,385	\$ 6,013,545	\$ 5,486,658	\$ 23,751,749	\$ 22,612,043

Governmental Activities – Total revenues in fiscal year 2022 in the Town’s governmental activities decreased approximately \$0.2 million from fiscal year 2021. This decrease was primarily due decreases of approximately \$0.3 million in both capital grants and contributions as well as in other general revenues. Capital grants and contributions decreased year-over-year due to the timing of roadway improvement receipts. The decrease in other general revenues was due to the absence of a nearly \$0.3 million one-time revenue item from the prior year. These decreases were offset by an increase in property tax revenues of over \$0.4 million.

Property taxes continue to represent the largest revenue source for the Town. Property taxes represented approximately 80% and 76%, respectively, of total fiscal year 2022 and 2021 revenues. No other revenue source exceeded 10% of total revenues in either fiscal year 2022 or 2021. Property tax revenues increased over \$0.4 million, or 4.4%, year-over-year. This increase was due to normal statutorily-limited increase in property taxes coupled with new growth.

Total expenses in fiscal year 2022 increased over \$0.3 million. Education continues to represent the largest expense category reported by the Town. Education expenses represented approximately 50% and 51%, respectively, of total fiscal year 2022 and 2021 expenses. Public works, public safety and general governmental expenses represented approximately 18%, 17% and 10% of total fiscal year 2022 expenses; each of these ratios was consistent with the ratios reported in the prior year. No other expense category exceeded 10% of total expenses in either fiscal year 2022 or 2021.

Business-Type Activities – Business-type activities consist entirely of the operating results of the PMLD. Total revenues increased nearly \$92,000, while total expenses decreased nearly \$169,000.

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 \$4.1 million, which was over \$2.0 million greater than the prior year. This increase was due primarily to the Town’s issuance of over \$2.1 million in general obligation bonds and associated premiums in September 2021.

The Town reported increases in fund balances in each of its major governmental funds in fiscal year 2022. The fund balances in the general fund, capital projects fund and nonmajor governmental funds increased approximately \$0.2 million, \$1.5 million and \$0.3 million, respectively.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was nearly \$2.2 million, while total fund balance exceeded \$3.0 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 represented approximately 19.5% of total fiscal year 2022 general fund expenditures, while the total fund balance represented approximately 27.4% of that same amount.

The Town also maintains a major governmental fund to account for its various capital projects. In fiscal year 2022, the deficit fund balance in the capital projects fund was nearly \$0.6 million, which was an improvement of nearly \$1.5 million year-over-year.

The Town’s nonmajor governmental funds include the Town’s special revenue funds and trust funds. The fund balances in the nonmajor governmental funds increased in fiscal year 2022 primarily due to the sale of capital.

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, net position of PMLD was approximately \$6.0 million.

Fiduciary Fund – The Town’s fiduciary fund is comprised of the Town’s OPEB trust fund and private purpose trust funds. The OPEB fund decreased over \$114,000 in fiscal year 2022 due to negative investment performance. The fund balance in the private purpose trust funds decreased modestly in fiscal year 2022.

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 – The Town’s investment in capital assets reported in its governmental and business-type activities as of June 30, 2022 totaled nearly \$29.0 million, net of accumulated depreciation. This investment in capital assets includes land, buildings and system improvements, machinery, and equipment. In total, capital assets increased nearly \$151,000 year-over-year as current year additions exceeded depreciation expense.

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

Long-Term Debt – At the end of the current fiscal year, the Town had total long-term debt outstanding of nearly \$6.0 million, which represented an increase of nearly \$1.0 million year-over-year. The Town’s total long-term debt in its governmental activities increased nearly \$1.6 million in fiscal year 2022, while the long-term debt balance in its business-type activities decreased over \$0.6 million. The Town issued over \$2.1 million in general obligation bonds and associated premiums in September 2021.

The Town also holds a proportionate share of debt of other governmental units that provide services within the Town’s boundaries. The debt service from such arrangements is assessed annually to the Town.

In connection with its fiscal year 2022 bond issuance, in August 2021 Moody’s Investor Services affirmed the Town’s Aa3 credit 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 2023 is expected to increase to approximately \$673,000.
- The Town enters fiscal year 2023 with nearly \$718,000 in certified free cash and over \$1,162,000 in stabilization funds.
- The Town’s real estate tax base is made up predominantly of residential taxes, which when setting the 2023 tax rate will be approximately 96% of the Town’s entire real estate tax levy. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as proposition 2 ½, limits the Town’s ability to increase taxes in any one year by more than 2.5% of the previous year tax levy without voter permission.
- Inflation is expected to affect the Town in a number of ways including higher borrowing and capital acquisition costs, energy prices and operating expenses.

The above items were considered when the Town accepted its budget for fiscal year 2023 at the May 2022 Annual Town Meeting. The Town set its fiscal year 2023 tax rate on December 14, 2022.

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, Town Hall, 6 Town Hall Drive, Princeton, Massachusetts, 01541-1137.

TOWN OF PRINCETON, MASSACHUSETTS

**STATEMENT OF NET POSITION
JUNE 30, 2022**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 4,618,850	\$ 1,035,650	\$ 5,654,500
Investments	1,941,830	2,108,733	4,050,563
Receivables, net of allowance for uncollectible accounts:			
Real estate and personal property taxes	360,262	-	360,262
User charges	-	459,926	459,926
Excise	107,228	-	107,228
Departmental and other	663,557	95,049	758,606
Intergovernmental	276	-	276
Inventory	-	189,408	189,408
Prepaid items	-	24,132	24,132
Capital assets, not being depreciated	2,218,161	74,835	2,292,996
Capital assets, net of accumulated depreciation	18,296,974	8,372,709	26,669,683
Total Assets	28,207,138	12,360,442	40,567,580
Deferred Outflows of Resources			
Related to net other postemployment benefits liability	628,299	77,303	705,602
Related to net pension liability	472,291	534,612	1,006,903
Total Deferred Outflows of Resources	1,100,590	611,915	1,712,505
Liabilities			
Warrants and accounts payable	519,640	285,926	805,566
Accrued payroll and withholdings	128,650	-	128,650
Retainage payable	21,679	-	21,679
Bond anticipation note payable	1,388,000	-	1,388,000
Unearned revenue	416,699	1,796	418,495
Other liabilities	3,077	-	3,077
Noncurrent liabilities:			
Deposits	-	39,895	39,895
Due within one year	644,968	626,673	1,271,641
Due in more than one year	7,258,200	5,093,155	12,351,355
Total Liabilities	10,380,913	6,047,445	16,428,358
Deferred Inflows of Resources			
Related to net other postemployment benefits liability	211,639	234,363	446,002
Related to net pension liability	976,972	276,155	1,253,127
Contribution in aid of construction	-	400,849	400,849
Total Deferred Inflows of Resources	1,188,611	911,367	2,099,978
Net Position			
Net investment in capital assets	15,393,750	5,296,522	20,690,272
Restricted for:			
Nonexpendable permanent funds	146,478	-	146,478
Depreciation	-	1,483,809	1,483,809
Other purposes	2,132,723	-	2,132,723
Unrestricted	65,253	(766,786)	(701,533)
Total Net Position	\$ 17,738,204	\$ 6,013,545	\$ 23,751,749

See accompanying notes to financial statements.

TOWN OF PRINCETON, MASSACHUSETTS

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

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
<u>Primary Government:</u>							
Governmental Activities:							
General government	\$ 1,216,749	\$ 75,436	\$ 426,118	\$ -	\$ (715,195)		\$ (715,195)
Public safety	1,985,978	356,574	44,839	-	(1,584,565)		(1,584,565)
Education	5,889,378	25,359	7,345	-	(5,856,674)		(5,856,674)
Public works	2,140,521	113,147	35	194,923	(1,832,416)		(1,832,416)
Health and human services	166,673	19,305	82,471	-	(64,897)		(64,897)
Culture and recreation	344,178	9,477	30,275	-	(304,426)		(304,426)
Debt service	43,821	-	-	-	(43,821)		(43,821)
Total Governmental Activities	11,787,298	599,298	591,083	194,923	(10,401,994)		(10,401,994)
Business-type activities:							
Electric Light	3,563,717	4,079,838	-	-	-	\$ 516,121	516,121
Total Primary Government	\$ 15,351,015	\$ 4,679,136	\$ 591,083	\$ 194,923	(10,401,994)	516,121	(9,885,873)
<u>General Revenues:</u>							
Real and personal property taxes					9,945,945	-	9,945,945
Motor vehicle and other excise taxes					659,678	-	659,678
Grants and contributions not restricted to specific programs					325,407	-	325,407
Penalties and interest on taxes					121,375	-	121,375
Unrestricted investment income (loss), net					(37,592)	10,766	(26,826)
Total general revenues					11,014,813	10,766	11,025,579
Change in Net Position					612,819	526,887	1,139,706
<u>Net Position:</u>							
Beginning of year					17,125,385	5,486,658	22,612,043
End of year					\$ 17,738,204	\$ 6,013,545	\$ 23,751,749

See accompanying notes to financial statements.

TOWN OF PRINCETON, MASSACHUSETTS

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2022**

	General	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 1,353,757	\$ 1,133,944	\$ 2,131,149	\$ 4,618,850
Investments	1,941,830	-	-	1,941,830
Receivables, net of allowance for uncollectibles				
Real estate and personal property taxes	360,262	-	-	360,262
Excise	107,228	-	-	107,228
Departmental and other	627,716	-	35,841	663,557
Intergovernmental	-	-	276	276
Total Assets	<u>4,390,793</u>	<u>1,133,944</u>	<u>2,167,266</u>	<u>7,692,003</u>
Total Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 4,390,793</u>	<u>\$ 1,133,944</u>	<u>\$ 2,167,266</u>	<u>\$ 7,692,003</u>
Liabilities:				
Warrants and accounts payable	\$ 177,254	\$ 317,456	\$ 24,930	\$ 519,640
Accrued payroll and withholdings	115,412	-	13,238	128,650
Retainage payable	-	21,679	-	21,679
Bond anticipation note payable	-	1,388,000	-	1,388,000
Unearned revenue	5,365	-	411,334	416,699
Other liabilities	3,077	-	-	3,077
Total Liabilities	<u>301,108</u>	<u>1,727,135</u>	<u>449,502</u>	<u>2,477,745</u>
Deferred Inflows of Resources:				
Unavailable revenues - property taxes	321,709	-	-	321,709
Unavailable revenues - excise	107,228	-	-	107,228
Unavailable revenues - other	627,716	-	35,841	663,557
Total Deferred Inflows of Resources	<u>1,056,653</u>	<u>-</u>	<u>35,841</u>	<u>1,092,494</u>
Fund Balance:				
Nonspendable	-	-	146,478	146,478
Restricted	-	597,278	1,535,445	2,132,723
Committed	607,550	-	-	607,550
Assigned	264,739	-	-	264,739
Unassigned	2,160,743	(1,190,469)	-	970,274
Total Fund Balances	<u>3,033,032</u>	<u>(593,191)</u>	<u>1,681,923</u>	<u>4,121,764</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 4,390,793</u>	<u>\$ 1,133,944</u>	<u>\$ 2,167,266</u>	<u>\$ 7,692,003</u>

See accompanying notes to financial statements.

TOWN OF PRINCETON, MASSACHUSETTS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2022**

Total Governmental Fund Balances		\$ 4,121,764
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		20,515,135
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds		1,092,494
Deferred outflows and inflows of resource to be recognized in future OPEB and pension expense are not available resources and, therefore, are not reported in the funds:		
Deferred outflows related to net other postemployment benefits liability	628,299	
Deferred outflows related to net pension liability	472,291	
Deferred inflows related to net other postemployment benefits liability	(211,639)	
Deferred inflows related to net pension liability	<u>(976,972)</u>	
Net effect of reporting deferred outflows and inflows		(88,021)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the government funds:		
Bonds and notes payable	(3,042,369)	
Lease liabilities	(220,558)	
Landfill monitoring	(78,000)	
Compensated absences	(74,631)	
Net other postemployment benefits liability	(1,168,077)	
Net pension liability	<u>(3,319,533)</u>	
Net effect of reporting long-term liabilities		<u>(7,903,168)</u>
Net Position of Governmental Activities		<u>\$ 17,738,204</u>

See accompanying notes to financial statements.

TOWN OF PRINCETON, MASSACHUSETTS

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2022**

	General	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Real estate and personal property taxes, net	\$ 9,906,829	\$ -	\$ -	\$ 9,906,829
Intergovernmental	637,156	176,260	272,503	1,085,919
Motor vehicle and other excise taxes	692,629	-	-	692,629
Departmental and other revenue	88,129	-	504,685	592,814
License and permits	14,988	-	-	14,988
Penalties and interest on taxes	121,375	-	-	121,375
Fines and forfeitures	7,153	-	-	7,153
Investment income (loss), net	(37,710)	-	118	(37,592)
Contributions and donations	-	6,399	19,095	25,494
Total Revenues	11,430,549	182,659	796,401	12,409,609
Expenditures:				
Current:				
General government	861,771	16,961	120,365	999,097
Public safety	1,290,598	43,748	511,581	1,845,927
Education	5,661,886	-	4,350	5,666,236
Public works	1,720,671	691,524	88,521	2,500,716
Health and human services	131,682	-	26,180	157,862
Culture and recreation	290,283	428,886	24,897	744,066
Pension and fringe benefits	665,307	-	-	665,307
State and county tax assessments	25,227	-	-	25,227
Debt service:				
Principal	361,107	-	-	361,107
Interest	62,518	-	-	62,518
Total Expenditures	11,071,050	1,181,119	775,894	13,028,063
Excess (Deficiency) of Revenues Over Expenditures	359,499	(998,460)	20,507	(618,454)
Other Financing Sources (Uses):				
Proceeds from issuance of debt	-	1,905,000	-	1,905,000
Premiums received from issuance of debt	-	206,066	-	206,066
Proceeds from leasing	-	203,548	-	203,548
Proceeds from sale of capital	-	-	352,500	352,500
Transfer In	5,500	142,460	-	147,960
Transfer Out	(120,000)	-	(27,960)	(147,960)
Total Other Financing Sources (Uses)	(114,500)	2,457,074	324,540	2,667,114
Net Change in Fund Balances	244,999	1,458,614	345,047	2,048,660
Fund Balances - Beginning of the Year	2,788,033	(2,051,805)	1,336,876	2,073,104
Fund Balances - End of the Year	\$ 3,033,032	\$ (593,191)	\$ 1,681,923	\$ 4,121,764

See accompanying notes to financial statements.

TOWN OF PRINCETON, 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, 2022**

Net Change in Fund Balances - Total Governmental Fund Balances **\$ 2,048,660**

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. This amount represents the net amount of depreciation/amortization expense in excess of capital outlay.

The amounts are represented here as reconciling items:

Capital outlays	1,608,070
Capital asset disposal	(385,832)
Depreciation	<u>(827,846)</u>

Net effect of reporting capital assets 394,392

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the Statement of Activities. The net amount presented here as a reconciling item represents the following differences:

Proceeds from leases	(203,548)
Proceeds from debt issuance	(2,111,066)
Payments on leases	31,107
Payments on debt	<u>348,697</u>

Net effect of reporting long-term debt (1,934,810)

Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. The amount presented represents the following differences derived from unavailable revenue.

(9,492)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Landfill monitoring	6,000
Compensated absences	1,846
Pension benefits	187,115
Other postemployment benefits	<u>(80,892)</u>

Net effect of reporting long-term liabilities 114,069

Change in Net Position of Governmental Activities **\$ 612,819**

See accompanying notes to financial statements.

TOWN OF PRINCETON, MASSACHUSETTS

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2022

	Business-Type Activities
	Electric Light Enterprise
	(December 31, 2021)
Assets	
Current assets:	
Cash and cash equivalents	\$ 1,035,650
Investments	2,108,733
Receivables (net):	
User charges	459,926
Other	95,049
Inventory	189,408
Prepaid items	24,132
Total current assets	<u>3,912,898</u>
Noncurrent assets:	
Nondepreciable capital assets	74,835
Capital assets (net of depreciation)	<u>8,372,709</u>
Total noncurrent assets	<u>8,447,544</u>
Total Assets	<u>12,360,442</u>
Deferred Outflows of Resources	
Related to net other postemployment benefits liability	77,303
Related to net pension liability	<u>534,612</u>
Total Deferred Outflows of Resources	<u>611,915</u>
Liabilities	
Current liabilities:	
Warrants and accounts payable	285,926
Pooled Financing Loan	605,844
Lease liability	<u>20,829</u>
Total current liabilities	<u>912,599</u>
Noncurrent liabilities:	
Pooled Financing Loan	2,524,349
Customer meter deposits	39,895
Net other postemployment benefits liability	584,635
Net pension liability	<u>1,984,171</u>
Total noncurrent liabilities	<u>5,133,050</u>
Total Liabilities	<u>6,045,649</u>
Deferred Inflows of Resources	
Contribution in aid of construction (net)	400,849
Unearned revenue	1,796
Related to net other post employment benefits liability	234,363
Related to net pension liability	<u>276,155</u>
Total Deferred Inflows of Resources	<u>913,163</u>
Net Position	
Net investment in capital assets	5,296,522
Restricted for depreciation	1,483,809
Unrestricted	<u>(766,786)</u>
Total Net Position	<u>\$ 6,013,545</u>

See accompanying notes to basic financial statements.

TOWN OF PRINCETON, MASSACHUSETTS

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2022**

	Business-Type Activities
	Electric Light Enterprise (December 31, 2021)
Operating Revenues:	
Sales of electricity	\$ 4,007,558
Other operating revenues	72,280
	4,079,838
Operating Expenses:	
Operating and maintenance	3,070,038
Depreciation	363,309
	3,433,347
Operating Income	646,491
Nonoperating Revenues (Expenses):	
Interest Income	10,766
Interest Expense	(124,236)
Services rendered in lieu of taxes	(6,134)
	(119,604)
Change in Net Position	526,887
Total Net Position - Beginning of the Year	5,486,658
Total Net Position - End of the Year	\$ 6,013,545

See accompanying notes to basic financial statements.

TOWN OF PRINCETON, MASSACHUSETTS

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2022

	Business-Type Activities Electric Light Enterprise (December 31, 2021)
Cash Flows from Operating Activities:	
Receipts from customers	\$ 4,139,951
Payments to suppliers	(2,451,303)
Payments to employees	(694,838)
Net Cash Provided by Operating Activities	<u>993,810</u>
Cash Flows from Capital and Related Financing Activities:	
Repayment on long-term debt	(605,843)
Lease payments	(26,918)
Additions to utility plant assets	(133,598)
Interest payments on long-term debt	(124,236)
Net transfer to depreciation fund	(226,536)
Disbursements (to) from Pooled Financing	62,930
Net Cash Used in Capital and Related Financing Activities	<u>(1,054,201)</u>
Cash Flows from Investing Activities:	
Interest income	9,204
Net Cash Provided by Investing Activities	<u>9,204</u>
Net Change in Cash and Cash Equivalents	(51,187)
Cash and Cash Equivalents:	
Beginning of the year	1,086,837
End of the year	<u>\$ 1,035,650</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 646,491
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	363,309
Changes in assets and liabilities:	
Customer account receivables	27,472
Other receivables	25,998
Inventory	(15,648)
Prepaid items	3,482
Purchase power working capital	(10,779)
Deferred outflows of resources	(180,467)
Services rendered in lieu of taxes	(6,134)
Accounts payable	(88,533)
Accrued expenses	12,903
Customer meter deposit liability	6,395
Unearned revenue	248
Other postemployment benefit obligation	(9,728)
Net pension liability	218,801
Net Cash Provided by Operating Activities	<u>\$ 993,810</u>

See accompanying notes to basic financial statements.

TOWN OF PRINCETON, MASSACHUSETTS

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2022**

	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds
Assets:		
Cash and cash equivalents	\$ 4,510	\$ 14,892
Investments	882,633	-
Total Assets	887,143	14,892
Net Position:		
Held in trust for:		
Other postemployment benefits	887,143	-
Private purposes	-	14,892
Total Net Position	\$ 887,143	\$ 14,892

See accompanying notes to financial statements.

TOWN OF PRINCETON, MASSACHUSETTS

**FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2022**

	<u>Other Postemployment Benefits Trust Fund</u>	<u>Private Purpose Trust Funds</u>
Additions		
Contributions:		
Employer	\$ 65,193	\$ -
Total contributions	<u>65,193</u>	<u>-</u>
Investment income:		
Interest and dividends	65,093	18
Net decline in value of investments	(212,591)	-
Less investment management fees	<u>(6,616)</u>	<u>-</u>
Net investment income	<u>(154,114)</u>	<u>18</u>
Total Additions	<u>(88,921)</u>	<u>18</u>
Deductions		
Benefits paid	55,193	-
Scholarships and public assistance	<u>-</u>	<u>1,389</u>
Total Deductions	<u>55,193</u>	<u>1,389</u>
CHANGE IN NET POSITION	(144,114)	(1,371)
NET POSITION AT BEGINNING OF YEAR	<u>1,031,257</u>	<u>16,263</u>
NET POSITION AT END OF YEAR	<u><u>\$ 887,143</u></u>	<u><u>\$ 14,892</u></u>

See accompanying notes to financial statements.

TOWN OF PRINCETON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

I. Summary of Significant Accounting Policies

The accompanying basic financial statements of the Town of Princeton, Massachusetts (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 of Princeton is a political subdivision of the Commonwealth of Massachusetts, located in Worcester County. The Town was incorporated in 1759. The governing structure utilizes an open town meeting, with an elected three-member Selectboard and an appointed Town Administrator, who performs and oversees the daily executive and administrative duties.

The Town provides governmental services for the territory within its boundaries, including public safety, education through a regional school district, public works, health and human services, culture and recreation, general governmental services, and electricity. The electricity services are funded through user charges and treated as a business enterprise.

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. The Town does not have any component units that meet these criteria.

Princeton Municipal Light Department – The PMLD, a department of the Town, provides electrical services to the Town’s inhabitants and is included as a proprietary fund in the Town’s financial statements. PMLD accounts for its operations on a calendar year basis and their financial statements are for the year ended December 31, 2021. The PMLD issued stand-alone audited financial statements which can be obtained from the PMLD which is located at 185 Worcester Road, Princeton, Massachusetts 01541.

The Town is a member community of the Wachusett Regional School District that provides educational services to five area communities. This joint venture assesses each community its share of operational and debt service costs based on student population and other factors. In fiscal year 2022, the Town’s assessment was \$5,200,865. There is no equity interest reported in these financial statements. Complete audited financial statements can be obtained directly from the District’s administrative office located at 1745 Main Street, Jefferson, MA 01522.

In addition, the Town is a member community of the Montachusett Regional Vocational Technical School. This joint venture assesses each of the eighteen-member communities its share of the operational and debt service costs based on student population and other factors. In fiscal year 2022, the Town’s assessment was \$425,147. There is no equity interest reported in these financial statements. Complete audited financial statements can be obtained directly from the District’s administrative office located at 1050 Westminster Street, Fitchburg, MA 01420.

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. *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 financial resources, liabilities and deferred inflows of financial resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10% of the corresponding element (assets and deferred outflows of financial resources, liabilities and deferred inflows of financial resources, etc.) for all funds of that category or type (total governmental or total enterprise funds), and
- 2) The total assets and deferred outflows of financial resources, liabilities and deferred inflows of financial 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 (i) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other revenue items not properly included among program revenues are reported instead as *general revenues*. The effects of material interfund activity have 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., when 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 unmatured interest on general long-term debt which is recognized when 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 applies the susceptible to accrual criteria to intergovernmental revenues. In applying the susceptible to accrual concept, there are two types of revenues. In the first, monies must be expended for a specific purpose or project before any amounts will be paid; therefore, revenues are recognized as expenditures are incurred. In the second, monies are virtually unrestricted and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues when cash is received, or earlier if the susceptible to accrual criteria are met. State aid is accrued as revenue in the year that the funds are appropriated by the Commonwealth of Massachusetts (the “Commonwealth”).

The Town considers property tax revenues to be available if they are collected within sixty days after the end of the fiscal year, if material. 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 government 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 Projects Fund – is used to account for the Town’s capital project activities.

Nonmajor Governmental Funds – consist of other special revenue and permanent funds that are aggregated and presented in the Nonmajor Governmental Funds column on the Governmental 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 of capital projects.

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

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

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

The Town reports the financial activity in its light department as a major proprietary fund.

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 for others that may not be used for governmental programs.

The Town reports the following fiduciary funds:

Other Postemployment Benefits Trust Fund – is used to accumulate funds for future payments of other postemployment benefits, or OPEB, for retirees such as health and life insurance.

Private Purpose Trust Fund – is used to account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments. This fund is used for educational scholarships and needy citizen benefit funds.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or 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. Investments of the Town are recorded at fair value. When actively quotes observable prices are not available, the Town generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

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

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

Receivables – Real estate and personal property taxes are assessed on January 1 every year. Bills are sent semiannually and are due on October 1 and April 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes at the rate of 14% per annum. The Town is allowed to take delinquent tax accounts into tax title fourteen days subsequent to the mailing of demand of delinquent taxes. Property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate taxes may be secured through a lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible accounts for these receivables is not reported. All personal property tax and excise taxes receivable are shown net of an allowance for uncollectible accounts, which are generally comprised of outstanding amounts greater than five years old. Departmental receivables are shown net of an allowance for uncollectible balances based on historical trends and specific account analyses.

Inventories and Prepaid Items – Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase. Inventory at the PMLD, which principally consists of parts and accessories purchased for use in PMLD’s operation, is valued using the average cost method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and 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.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction 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.

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

Buildings and improvements	40 years
Machinery and equipment	5 to 10 years
Vehicles	5 years
Infrastructure	40 years

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

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

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

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

Compensated Absences – It is the Town’s policy to permit full-time employees to accumulate earned but unused vacation benefits. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting the payroll and related expenditures. Amounts related to these benefits are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured.

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

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, are amortized over the life of the bonds using the effective interest method. Bond anticipation notes payable and other short-term debt instruments 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 (i.e., expenses or expenditures) until then.

The Town only has two types of items that qualifies for reporting as a deferred outflow of resources reported on the government-wide statement of net position that relates to outflows from changes in the net pension and net other postemployment benefits liabilities. These outflows will be recognized in pension and benefits expense in future 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 (i.e., revenues) until that time. The Town has three types of items which qualify for reporting in this category. The first arises under a modified accrual basis of accounting and, accordingly, the item *unavailable revenue* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, excise taxes and other receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second type of item that qualifies for reporting as a deferred inflow is reported on the government-wide statement of net position. This relates to inflows from changes in the net pension and net other postemployment benefits liabilities which will be recognized in pension and benefits expense in future years. Finally, the PMLD reports a third type of item that qualifies

for reporting as a deferred inflow. This relates to contribution in aid of construction which represents nonrefundable payments received from consumers and developers for extension of electric services for assets owned and maintained by PMLD.

Net Position – In the government-wide financial statements, net position reported as *net investment in capital assets* and primarily 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 the following:

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

Depreciation represents funds restricted by the PMLD for large capital investments and is required by state statute.

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

Fund Equity – The Town presents its 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 (i.e., inventory or prepaid items) or (b) legally or contractually required to be maintained intact. The Town's non-spendable fund balance reported in the Nonmajor governmental funds consists of the corpus of an endowment for the cemetery, library, and other purposes.

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 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, Selectboard, or their designee.

Unassigned represents amounts that have not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

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 and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

F. Reclassification

The Town previously reported the financial position and results of operations of its municipal broadband fund as a major governmental fund. This fund, which maintained a fund balance of \$55,895 at June 30, 2021, was incorporated into beginning balances of the Town’s nonmajor governmental funds in these basic financial statements as it no longer qualified as major governmental fund under GAAP. As a result, the beginning fund balance reported in the Town’s nonmajor governmental funds increased from \$1,280,981 to \$1,336,876.

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 (“the 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.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust, or MMDT, which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of this position in the Pool is the same as the value of the Pool shares.

Custodial Credit Risk: Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the government’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 year-end, all of the Town’s deposits were either fully insured by federal and supplementary depositors’ insurance or collateralized.

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 or PMLD may not be able to recover the full amount of its principal investment and/or investment earnings. The Town’s and PMLD’s investment in the MMDT are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The Town’s investments in United States governmental obligations, bond and equity mutual funds and other investment funds are exposed to custodial credit risk because the related securities are uninsured, unregistered and held by the counterparty. The Town’s investments in negotiable certificates of deposit are fully insured by the Federal Deposit Insurance Corporation, or FDIC.

Fair Value Measurements: – The following table presents the Town’s investments carried at fair value on a recurring basis in the statement of net position at June 30, 2022:

	6/30/22	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by Fair Value Level				
Debt securities:				
U.S. Government obligations	\$ 650,726	\$ 508,888	\$ 141,838	\$ -
Corporate bonds	621,935	-	621,935	-
Bond mutual funds	482,327	482,327	-	-
Negotiable certificates of deposit	101,031	-	101,031	-
Total debt securities	1,856,019	991,215	864,804	-
Equity securities:				
Equity mutual funds	530,488	530,488	-	-
Total equity securities	530,488	530,488	-	-
Total investments by fair value level	\$ 2,386,507	\$ 1,521,703	\$ 864,804	\$ -
Investments Measured at Amortized Cost				
State investment pool (MMDT)	437,956			
Total investments measured at fair value	\$ 2,824,463			

The MMDT is valued at amortized cost, which approximates fair value.

Concentration of Credit Risk: Investments –The Town doesn’t place a limit on the amount that may be invested in any one issuer. The Town’s investments in the MMDT represented approximately 16% of total Town investments at June 30, 2022. No other individual investment exceeded 5% of the Town’s total investments at June 30, 2022.

All of the PMLD’s investments at December 31, 2021 were invested with the MMDT.

Interest Rate Risk: Investments – This is the risk that changes in interest rates will adversely affect the market value of an investment. The Town does not have formal investment policies that limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. In practice, the Town mitigates interest rate risk by managing the duration of its investments. At June 30, 2022, the Town had the following investment maturities:

Investments	6/30/2022	Time Until Maturity (Years)		
		< 1	1 - 5	>5
U.S. Government obligations	\$ 650,726	\$ 255,363	\$ 395,363	\$ -
Corporate bonds	621,935	56,998	564,937	-
Negotiable certificates of deposit	101,031	69,013	32,018	-
State investment pool (MMDT)	437,956	437,956	-	-
Total investments with maturities	\$ 1,811,648	\$ 819,330	\$ 992,318	\$ -

Credit Risk: Investments – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town has not adopted a formal policy related to credit risk. The following table summarizes the credit ratings of the Town’s investments in debt securities at June 30, 2022:

Investments	Quality Ratings (Moody's)					
	Aaa	A1	A2	A3	Baa1	Baa2
U.S. Government obligations	\$ 650,726	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate bonds	-	81,643	262,364	56,997	59,160	161,771
Totals	\$ 650,726	\$ 81,643	\$ 262,364	\$ 56,997	\$ 59,160	\$ 161,771

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, were as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Real estate and personal property taxes	\$ 360,262	\$ -	\$ 360,262
Excise taxes	107,228	-	107,228
Tax liens	586,352	-	586,352
Tax foreclosures	41,364	-	41,364
Ambulance	121,839	(85,998)	35,841
Intergovernmental	276	-	276
Totals	\$ 1,217,321	\$ (85,998)	\$ 1,131,323

Receivables at year-end for the PMLD were as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
User charges	\$ 464,991	\$ (5,065)	\$ 459,926
Other	95,049	-	95,049
Totals	<u>\$ 560,040</u>	<u>\$ (5,065)</u>	<u>\$ 554,975</u>

Governmental funds report deferred inflows of resources in connections with receivables for revenues that are considered unavailable 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	\$ 321,709	\$ -	\$ 321,709
Excise taxes	107,228	-	107,228
Tax liens	586,352	-	586,352
Tax foreclosures	41,364	-	41,364
Ambulance	-	35,841	35,841
Totals	<u>\$ 1,056,653</u>	<u>\$ 35,841</u>	<u>\$ 1,092,494</u>

C. Interfund Transfers

Interfund transfers for the fiscal year ended June 30, 2022 were as follows:

Transfers Out	Transfers In		Total
	General Fund	Capital Projects Fund	
General fund	\$ -	\$ 120,000	\$ 120,000 (1)
Nonmajor governmental funds	5,500	22,460	27,960 (2)
Totals	<u>\$ 5,500</u>	<u>\$ 142,460</u>	<u>\$ 147,960</u>

(1) Transfer of free cash to fund PFAS remediation projects.

(2) Transfer of \$5,500 of proceeds from sale of property and \$22,460 of federal funds for PFAS remediation.

D. Capital Assets

Capital asset activity for the year ended June 30, 2022 (December 31, 2021 for PMLD) was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 1,999,441	\$ -	\$ (385,832)	\$ 1,613,609
Construction in process	206,790	556,902	(159,140)	604,552
Total capital assets not being depreciated	<u>2,206,231</u>	<u>556,902</u>	<u>(544,972)</u>	<u>2,218,161</u>
Capital assets being depreciated:				
Buildings and improvements	13,477,005	134,993	-	13,611,998
Infrastructure	15,426,210	630,396	-	16,056,606
Improvements other than buildings	1,113,122	62,500	-	1,175,622
Machinery and equipment	1,804,473	230,650	-	2,035,123
Vehicles	2,712,088	151,769	-	2,863,857
Total capital assets being depreciated	<u>34,532,898</u>	<u>1,210,308</u>	<u>-</u>	<u>35,743,206</u>
Less accumulated depreciation for:				
Buildings and improvements	(8,619,888)	(271,020)	-	(8,890,908)
Infrastructure	(3,926,106)	(373,305)	-	(4,299,411)
Improvements other than buildings	(530,193)	(34,156)	-	(564,349)
Machinery and equipment	(1,050,031)	(83,213)	-	(1,133,244)
Vehicles	(2,492,168)	(66,152)	-	(2,558,320)
Total accumulated depreciation	<u>(16,618,386)</u>	<u>(827,846)</u>	<u>-</u>	<u>(17,446,232)</u>
Total capital assets being depreciated, net	<u>17,914,512</u>	<u>382,462</u>	<u>-</u>	<u>18,296,974</u>
Governmental activities capital assets, net	<u>\$ 20,120,743</u>	<u>\$ 939,364</u>	<u>\$ (544,972)</u>	<u>\$ 20,515,135</u>

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

General government	\$ 33,150
Public safety	138,175
Education	223,142
Public works	400,078
Culture and recreation	33,301
	<u>\$ 827,846</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-Type Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 74,835	\$ -	\$ -	\$ 74,835
Capital assets being depreciated:				
Generation plant	8,439,859	-	-	8,439,859
Distribution plant	3,724,389	111,161	(37,928)	3,797,622
General plant	1,730,516	22,437	(32,943)	1,720,010
Total capital assets being depreciated	13,894,764	133,598	(70,871)	13,957,491
Less accumulated depreciation for:				
Generation plant	(2,624,669)	(213,657)	-	(2,838,326)
Distribution plant	(1,216,485)	(127,945)	37,928	(1,306,502)
General plant	(1,437,394)	(35,503)	32,943	(1,439,954)
Total accumulated depreciation	(5,278,548)	(377,105)	70,871	(5,584,782)
Total capital assets being depreciated, net	8,616,216	(243,507)	-	8,372,709
Business-Type activities capital assets, net	\$ 8,691,051	\$ (243,507)	\$ -	\$ 8,447,544

E. Temporary Debt

The Town is authorized to borrow on a temporary basis to fund the following:

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

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (“BANS”) or grant 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. Temporary notes generally carry maturity dates of less than one year, are interest bearing and will generally be paid through the issuance of future general obligation bonds.

Activity in temporary notes for the year ended June 30, 2022 was as follows:

Type	Interest Rate	Maturity Date	Beginning Balance	Increases	Decreases	Ending Balance
BAN	1.00%	matured	\$ 1,000,000	\$ -	\$ (1,000,000)	\$ -
BAN	0.38%	matures	1,980,000	-	(1,980,000)	-
BAN	2.75%	03/30/22	-	1,388,000	-	1,388,000
			<u>\$ 2,980,000</u>	<u>\$ 1,388,000</u>	<u>\$ (2,980,000)</u>	<u>\$ 1,388,000</u>

BANS were issued and outstanding at June 30, 2022 for the following purposes:

PFAS investigation and remediation	\$ 1,000,000
Library clock tower renovation	388,000
	<u>\$ 1,388,000</u>

F. Long-Term Obligations

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

The following reflects the current year activity (the PMLD's activity is for the year ended December 31, 2021) in the long-term liability accounts:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
Bond and note debt	\$ 1,040,000	\$ 1,905,000	\$ (210,000)	\$ 2,735,000	\$ 415,000
Unamortized bond premiums	-	206,066	(18,697)	187,369	35,068
Direct borrowings and placements	240,000	-	(120,000)	120,000	120,000
Lease liabilities	48,117	203,548	(31,107)	220,558	50,242
Landfill monitoring	84,000	-	(6,000)	78,000	6,000
Compensated absences	76,477	10,613	(12,459)	74,631	18,658
Net OPEB liability	581,845	863,064	(276,832)	1,168,077	-
Net pension liability	3,414,942	1,173,089	(1,268,498)	3,319,533	-
Total Governmental Activities	<u>\$ 5,485,381</u>	<u>\$ 4,361,380</u>	<u>\$ (1,943,593)</u>	<u>\$ 7,903,168</u>	<u>\$ 644,968</u>
<i>Business-Type Activities - PMLD:</i>					
Direct borrowings and placements	\$ 3,736,036	\$ -	\$ (605,843)	\$ 3,130,193	\$ 605,844
Lease liabilities	47,747	-	(26,918)	20,829	20,829
Net OPEB liability	553,938	30,697	-	584,635	-
Net pension liability	1,951,788	32,383	-	1,984,171	-
Total Business-Type Activities	<u>\$ 6,289,509</u>	<u>\$ 63,080</u>	<u>\$ (632,761)</u>	<u>\$ 5,719,828</u>	<u>\$ 626,673</u>

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

General obligation bonds and notes payable outstanding during the fiscal year ended June 30, 2022 were as follows:

Description of Issue	Interest Rate	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>					
General obligation bonds	2.00 - 4.00%	\$ 1,040,000	\$ 1,905,000	\$ (210,000)	\$ 2,735,000
State House note	2.50 - 4.20%	240,000	-	(120,000)	120,000
Total Governmental Activities		<u>1,280,000</u>	<u>1,905,000</u>	<u>(330,000)</u>	<u>2,855,000</u>
<i>Business-Type Activities:</i>					
Pooled financing loan	3.05%	3,736,036	-	(605,843)	3,130,193
Total Business-Type Activities		<u>\$ 3,736,036</u>	<u>\$ -</u>	<u>\$ (605,843)</u>	<u>\$ 3,130,193</u>

On March 21, 2017, the PMLD executed a ten-year pooled financing loan with the Massachusetts Municipal Wholesale Electric Company (“MMWEC”). Under the terms of this pooled financing loan, the PMLD is making monthly payments of principal and interest to the MMWEC at a 3.05% interest rate. The pooled financing loan is set to mature in March 2027.

Debt service requirements on long-term debt at June 30, 2022 (December 31, 2021 for the PMLD) are as follows:

Year Ending June 30,	<i>Governmental Activities</i>							Grand Total
	Principal			Interest				
	General Obligation	Direct Placements	Total	General Obligation	Direct Placements	Total		
2023	\$ 415,000	\$ 120,000	\$ 535,000	\$ 77,500	\$ 2,100	\$ 79,600	\$ 614,600	
2024	415,000	-	415,000	65,125	-	65,125	480,125	
2025	415,000	-	415,000	53,775	-	53,775	468,775	
2026	295,000	-	295,000	44,650	-	44,650	339,650	
2027	290,000	-	290,000	37,700	-	37,700	327,700	
2028 - 2032	905,000	-	905,000	80,500	-	80,500	985,500	
Totals	<u>\$ 2,735,000</u>	<u>\$ 120,000</u>	<u>\$ 2,855,000</u>	<u>\$ 359,250</u>	<u>\$ 2,100</u>	<u>\$ 361,350</u>	<u>\$ 3,216,350</u>	

Year Ending December 31,	<i>Business-Type Activities - PMLD</i>							Grand Total
	Principal			Interest				
	General Obligation	Direct Placements	Total	General Obligation	Direct Placements	Total		
2022	\$ -	\$ 605,844	\$ 605,844	\$ -	\$ 76,993	\$ 76,993	\$ 682,837	
2023	-	605,844	605,844	-	58,514	58,514	664,358	
2024	-	605,844	605,844	-	40,036	40,036	645,880	
2025	-	605,844	605,844	-	26,692	26,692	632,536	
2026	-	605,844	605,844	-	13,345	13,345	619,189	
2027	-	100,973	100,973	-	-	-	100,973	
Totals	<u>\$ -</u>	<u>\$ 3,130,193</u>	<u>\$ 3,130,193</u>	<u>\$ -</u>	<u>\$ 215,580</u>	<u>\$ 215,580</u>	<u>\$ 3,345,773</u>	

At June 30, 2022, the Town has authorized by not issued \$50,000 in debt related to a repairs and renovations at Bagg Hall.

G. Lease Liabilities

The Town is party to several noncancellable leases for vehicles. For financial reporting purposes, these leases have been capitalized and reported as lease liabilities. Lease payment requirements for lease liabilities at June 30, 2022 (December 31, 2021 for the PMLD) were as follows:

Year Ending June 30,	<i>Governmental Activities</i>			<i>Business-Type Activities - PMLD</i>		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 50,242	\$ 8,408	\$ 58,650	\$ 20,829	\$ 312	\$ 21,141
2024	52,350	6,302	58,652	-	-	-
2025	22,012	4,093	26,105	-	-	-
2026	22,776	3,330	26,106	-	-	-
2027	23,565	2,539	26,104	-	-	-
2028 - 2029	49,613	2,597	52,210	-	-	-
Totals	<u>\$ 220,558</u>	<u>\$ 27,269</u>	<u>\$ 247,827</u>	<u>\$ 20,829</u>	<u>\$ 312</u>	<u>\$ 21,141</u>

Assets acquired through lease transactions (excluding the PMLD) were as follows:

Front end loader	\$ 159,800
Police cruisers	89,688
Highway truck - F350	<u>48,117</u>
Gross assets financed under leases	297,605
Less accumulated amortization	<u>(80,728)</u>
Net assets financed under leases	<u><u>\$ 216,877</u></u>

The PMLD maintains a single vehicle with a cost of \$146,296 and accumulated amortization of \$125,397 at December 31, 2021.

H. Fund Balances

The components of fund balances as listed in aggregate in the governmental funds balance sheet at June 30, 2022 are detailed as follows:

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Nonspendable:				
Nonexpendable trust funds	\$ -	\$ -	\$ 146,478	\$ 146,478
Restricted:				
General government	-	3,843	870,736	874,579
Public safety	-	477,350	317,656	795,006
Public works	-	114,296	249,023	363,319
Health and human services	-	-	20,818	20,818
Culture and recreation	-	1,789	77,212	79,001
Committed:				
General government	205,642	-	-	205,642
Public safety	209,503	-	-	209,503
Education	84,605	-	-	84,605
Public works	107,800	-	-	107,800
Assigned:				
Public works	255,294	-	-	255,294
Other purposes	9,445	-	-	9,445
Unassigned:				
Unrestricted	2,160,743	(1,190,469)	-	970,274
	<u>\$ 3,033,032</u>	<u>\$ (593,191)</u>	<u>\$ 1,681,923</u>	<u>\$ 4,121,764</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 totals \$711,944 at June 30, 2022 and is reported as unassigned fund balance in the general fund.

The Town maintains a capital improvement stabilization fund which may be used for capital outlays upon a two-thirds vote of the Town Meeting. The balance of the fund totals \$440,043 at June 30, 2022 and is reported as unassigned fund balance in the general 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 purchasing activity approved by the Town Administrator and Town Accountant 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. The Town reported \$264,739 of encumbrances from normal purchasing activity in the general fund as assigned and reported \$607,550 of encumbrances from Town Meeting votes in the general fund as committed. There are no encumbrances reported in any other fund.

I. Excess of Expenditures Over Appropriations and Deficits

During the year ended June 30, 2022, there were no material instances where expenditures exceeded appropriations.

The Town incurred individual fund deficits totaling \$1190,469 in its capital projects fund. These deficits will be funded in future fiscal years with bond proceeds, grant revenues or other available funds.

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 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, 2021, 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 as of December 31, 2021, was as follows:

Retirees and beneficiaries currently receiving benefits	4,112
Active plan members	7,121
Inactive plan members	2,714
Total	<u>13,947</u>
Number of employers	99

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

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

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

Normal retirement generally occurs at age 65. However, participants may retire after twenty years of service or at any time after attaining age 55, if hired prior to April 2, 2012 or at any time after attaining age 60 if hired on or after April 2, 2012. Participants with hire dates subsequent to January 1, 1978, must have a minimum of ten years' creditable service in order to retire at age 55. Participants become vested after ten years of 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 amounts 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 fiscal year 2022.

Contributions Requirements – The Retirement Board has elected provisions of Chapter 32, Section 22D (as amended) of Massachusetts General Laws (“MGL”), which require that a funding schedule be established to fully fund the pension plan by June 30, 2040. Under provisions of this law, participating employers are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method.

The Town (including the PMLD) contributed \$471,981 to the Retirement System in fiscal year 2022, which equaled the actuarially determined contribution requirement for the fiscal year. Contributions as a percentage of covered payroll was approximately 22.8%.

Net Pension Liability – At June 30, 2022, the Town in aggregate reported a liability of approximately \$5.3 million for its proportionate share of the net pension liability. The net pension liability reported by the Retirement System in the actuarial valuation at December 31, 2021 (used for fiscal year-end June 30, 2022) is approximately \$5.4 million. The difference between the two is attributable to the difference in fiscal year ends between the Town and the PMLD, which reports its results using a one-year lag.

The net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. There were no material changes to the System’s benefit terms since the actuarial valuation. Other changes made in this update to the actuarial assumptions can be found in the actuarial assumption table (see below).

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 and PMLD’s proportion were approximately 0.638% at December 31, 2021.

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, 2021, 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 \$108,721 in pension expense in the statement of activities in fiscal year 2022. The PMLD recognized \$218,801 in pension expense for the year ended December 31, 2021.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (December 31, 2021 for PMLD):

	Town		PMLD	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 69,427	\$ 2,699	\$ 51,497
Differences between expected and actual earnings	-	468,332	-	102,514
Changes in assumptions	285,439	-	122,833	-
Changes in proportion differences	186,852	439,213	228,613	122,144
Contributions made subsequent of the measurement date	-	-	180,467	-
	<u>\$ 472,291</u>	<u>\$ 976,972</u>	<u>\$ 534,612</u>	<u>\$ 276,155</u>

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

Year Ended	Town	Year Ended	PMLD
June 30		December 31,	
2023	\$ (181,874)	2022	\$ 245,908
2024	(202,218)	2023	52,232
2025	(154,915)	2024	(13,986)
2026	(10,899)	2025	(25,697)
2027	45,224	2026	-
Total	<u>\$ (504,681)</u>		<u>\$ 258,457</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 this actuarial valuation included:

Actuarial cost method	Entry Age Normal
Amortization method	Increasing dollar amount at 4%. Annual increase in appropriation is further limited to 9.95%
Remaining amortization period	16 years
Asset valuation method	5-year smoothed market value
Investment rate of return / discount rate	7.25%, net of pension plan investment expense,
Projected salary increases	Group 1: 4.25 - 6.00%, based on service Group 4: 4.75 - 7.00%, based on service
Inflation rate	2.4%

Mortality rates:

Healthy retiree	RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2020.
Disabled retiree	RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2020.

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 asset allocation as of December 31, 2021 are summarized in the following table:

Asset Class	Target Allocation	Expected Investment Rate of Return
Global equity	38.00%	4.22%
Core fixed income	15.00%	0.70%
Value added fixed income	8.00%	4.00%
Private equity	15.00%	7.70%
Real estate	10.00%	3.60%
Timber/natural resources	4.00%	4.20%
Portfolio completion	10.00%	3.00%
	100.00%	

Discount Rate – The discount rate used to measure the total pension liability was 7.25% (7.5% for the PMLD due to the one-year lag). 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 (inclusive of the PMLD) calculated using the current discount rate as well as the Town’s proportionate share of the net pension liability using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Net Pension Liability			
	Discount Rate			
	Current Rate	1% lower	Current	1% greater
Town	7.25%	\$ 4,187,341	\$ 3,319,533	\$2,586,255
PMLD	7.50%	2,444,360	1,984,171	1,595,615

PMLD is as of a year earlier valuation.

B. Other Postemployment Benefits

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

Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law and Town policies. 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 that impact the Town’s net OPEB liability using a measurement date of June 30, 2022 are summarized as follows (PMLD is as of December 31, 2021):

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms:

	Town	PMLD
Active employees	25	7
Inactive employees	13	4
Total	38	11

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 set premium for medical and life insurance; dental insurance is not offered. The remainder of the cost is funded by general revenues of the Town.

The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the OPEB Plan are paid by the Town. For the year ended June 30, 2022, the Town’s average contribution rate was 2.21% of covered-employee payroll.

Net OPEB Liability – The Town’s net OPEB liability was measured as of June 30, 2022 using an actuarial valuation as of July 1, 2021 and PMLD was measured as of December 31, 2021 using an actuarial valuation as of January 1, 2020. The components of the net OPEB liability were as follows:

	Town	PMLD
Total OPEB Liability	\$ 2,055,219	\$ 584,635
Plan fiduciary net position	(887,142)	-
Net OPEB liability	<u>\$ 1,168,077</u>	<u>\$ 584,635</u>
Plan fiduciary net position as a percentage of the total OPEB liability	43.2%	0.0%

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:

Investment rate of return	5.46%
Discount Rate	5.41%
Inflation	2.50% annually
Health Care Trend Rate	4.5%
Municipal Bond Rating	4.09%
Salary Increases	3.00% annually
Cost of Living Adjustment	Not applicable.
Pre-Retirement Mortality	RP-2014 Mortality Table projected with scale MP-2016 - set forward 1 year for females
Post-Retirement Mortality	RP-2014 Mortality Table projected with scale MP-2016 - set forward 1 year for females
Disabled Mortality	RP-2014 Mortality Table projected with scale MP-2016 - set forward 1 year for females
Actuarial Cost Method	Individual entry age normal

The discount rate for the PMLD was 2.0% since the PMLD does not have any plan assets nor does it have an investment policy.

Significant Changes in Assumptions – There were no significant changes in assumptions during the year-ended June 30, 2022 except that the discount rate was reduced to 5.41% from 6.25% for the Town.

Long Term Expected Rate of Return – 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 were as reflected in the following table and are for the Town only as the PMLD does not have plan assets or an investment policy:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Investment Rate of Return</u>
Domestic Equity - Large Cap	25.50%	4.42%
Domestic Equity - Small/Mid Cap	13.50%	4.81%
International Equity - Developed Market	10.00%	4.91%
International Equity - Emerging Market	6.50%	5.58%
Domestic Fixed Income	35.00%	1.00%
International Fixed Income	6.25%	1.04%
Alternatives	2.75%	5.98%
Real Estate	0.00%	6.25%
Cash	0.50%	0.00%
	<u>100.00%</u>	
Real rate of return		3.21%
Inflation assumption		2.50%
Total nominal rate of return		5.71%
Investment expense		-0.25%
Net investment return		<u>5.46%</u>

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

<u>Net OPEB liability - Town</u>			
<u>Discount Rate</u>			
<u>Current Rate</u>	<u>1% lower</u>	<u>Current</u>	<u>1% greater</u>
5.41%	\$ 1,509,150	\$ 1,168,077	\$ 899,024
<u>Health Care Rate</u>			
<u>Current Rate</u>	<u>1% lower</u>	<u>Current</u>	<u>1% greater</u>
4.50%	\$ 872,729	\$ 1,168,077	\$ 1,546,769

Net OPEB liability - PMLD			
Discount Rate			
Current Rate	1% lower	Current	1% greater
2.00%	\$ 688,765	\$ 584,635	\$ 515,830

Health Care Rate			
Current Rate	1% lower	Current	1% greater
4.50%	\$ 493,678	\$ 584,635	\$ 701,553

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2022 (December 31, 2021 for PMLD):

	Town			PMLD (12/31/21)
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2021	\$ 1,613,101	\$ 1,031,256	\$ 581,845	\$ 553,938
Changes for the year:				
Service cost	45,325	-	45,325	36,762
Interest	101,953	-	101,953	11,638
Difference between expected and actual experience	(184,720)	-	(184,720)	-
Change in assumptions	534,753	-	534,753	-
Net investment income	-	(154,114)	154,114	-
Employer contributions	-	65,193	(65,193)	-
Benefit payments withdrawn from trust	-	(55,193)	55,193	-
Benefit payments	(55,193)	-	(55,193)	(17,703)
Net changes	442,118	(144,114)	586,232	30,697
Balances at June 30, 2022	\$ 2,055,219	\$ 887,142	\$ 1,168,077	\$ 584,635

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2022, the Town recognized OPEB expense of \$146,085 and PMLD was \$7,975 for the year ended December 31, 2021. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2022 were reported as follows (December 31, 2021 for the PMLD):

	Town		PMLD	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 529,933	\$ -	\$ 77,303	\$ -
Differences between expected and actual earnings	98,366	-	-	-
Differences between expected and actual experience	-	211,639	-	234,363
	\$ 628,299	\$ 211,639	\$ 77,303	\$ 234,363

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	Town	Year Ended December 31,	PMLD
2023	\$ 62,788	2022	\$ (40,424)
2024	66,565	2023	(32,633)
2025	73,056	2024	(44,685)
2026	105,757	2025	(39,318)
2027	58,491	2026	-
thereafter	50,003	thereafter	-
Total	<u>\$ 416,660</u>		<u>\$ (157,060)</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 in Chapter 203C and may, with the approval of the State Retiree Benefits Trust Fund Board of Trustees, be invested in the State Retiree Benefits Trust Fund established in Section 24 of Chapter 32A. 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 follows the same investment policies that apply to all other Town Trust funds. Notably it can be invested in accordance with State Statutes that govern Trust investments including PRIM which is an external investment pool managed by the State.

Investment Rate of Return – For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was -14.94%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The PMLD had no plan assets therefore there was no investment rate of return.

C. Risk Financing

The Town is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; natural disasters; environmental matters and various employee benefits including health, workers' compensation and unemployment compensation, for which the Town carries commercial insurance. 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, if any, at June 30, 2022, cannot be ascertained, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2022.

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

Electric Light Department – The MMWEC was created as a political subdivision of the Commonwealth of Massachusetts to develop and coordinate power supply planning and assistance for its member municipal light departments. The PMLD has agreements with the MMWEC for participation in the interconnection between New England utilities and the Hydro-Quebec electric system near Sherbrooke, Quebec (Phase 1). The PMLD is also a direct participant in Phase II of the Hydro-Quebec interconnection. Participation in the arrangement provided for preferential exchanges and purchases of energy over the lines.

The PMLD has entered into contractual agreements with NextEra Energy to secure energy at fixed prices. The totals shown below reflect the sum of the contractual obligation for the contract.

The estimated contractual entitlements are as follows (based upon 16,000 MWh's purchased):

For Years Ended	
December 31,	Amount
2022	\$ 950,720
2023	964,800
2024	979,200
2025	993,760
2026	1,008,640
2027	1,023,520
Total	<u>\$ 5,920,640</u>

E. Landfill Closure and Post-Closure Care Costs

The Town's landfill is closed and a final cover has been installed in accordance with Federal and State laws and regulations. Those laws and regulations also require the Town to perform certain maintenance and monitoring functions ("post-closure care") at the site for 30 years after the landfill cover is installed. Based on an agreement with the Department of Environmental Protection, this 30-year monitoring period began in 2006. In accordance with generally accepted accounting principles, the estimated remaining cost of monitoring totaling \$78,000 has been recorded as a liability in the governmental activities. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

IV. Implementation of New GASB Pronouncements

A. Current Year Implementations

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefined the manner in which long-term leases are accounted and reported. As amended, the provisions of this Statement became effective in fiscal year 2022. The adoption of this standard did not have a material impact on the Town's 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 established accounting requirements for interest costs incurred before the end of a construction period. As amended, the provisions of this Statement became effective in fiscal year 2022. The adoption of this standard did not have a material impact on the Town's 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 was 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 became effective in fiscal year 2022. The adoption of this standard did not have a material impact on the Town's financial statements.

B. Future Year Implementations

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. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues 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 2022, the GASB issued GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No 62*. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for decision making or assessing accountability. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2023 (fiscal year 2024). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2022, the GASB issued GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to update the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2023 (fiscal year 2025). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

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TOWN OF PRINCETON, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2022**

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

Year Ended June 30,	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability *	Town 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
2022	0.638%	\$ 5,374,329	\$ 2,070,683	259.5%	56.2%
2021	0.608%	5,399,113	1,986,298	271.8%	50.3%
2020	0.598%	5,323,503	1,816,387	293.1%	47.4%
2019	0.635%	5,552,514	2,280,938	243.4%	43.1%
2018	0.627%	4,866,959	1,776,813	273.9%	46.4%
2017	0.685%	5,736,524	2,015,365	284.6%	42.0%
2016	0.666%	4,729,223	1,903,539	248.4%	44.5%
2015	0.868%	5,167,549	1,830,326	282.3%	47.9%

SCHEDULE OF THE TOWN'S CONTRIBUTIONS TO PENSION PLAN

Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Town Covered Payroll	Contributions as a Percentage of Covered Payroll
2022	\$ 471,980	\$ 471,980	\$ -	\$ 2,070,683	22.8%
2021	408,817	408,817	-	1,986,298	20.6%
2020	364,146	364,146	-	1,816,387	20.0%
2019	353,988	353,988	-	2,280,938	15.5%
2018	323,191	323,191	-	1,776,813	18.2%
2017	332,680	332,680	-	2,015,365	16.5%
2016	299,728	299,728	-	1,903,539	15.7%
2015	343,182	343,182	-	1,830,326	18.7%

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.

* The net pension liability as reported in the basic financial statements differs from this schedule due to the Princeton Municipal Light Department implementing GASB 68 as of December 31, 2015, one year after the Town's implementation.

See accompanying independent auditors' report.

TOWN OF PRINCETON, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION - OPEB
YEAR ENDED JUNE 30, 2022

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

	Year Ended June 30,					
	2022	2021	2020	2019	2018	2017
Total OPEB liability:						
Service cost	\$ 82,087	\$ 75,211	\$ 67,992	\$ 66,666	\$ 36,934	\$ 34,431
Interest	113,591	122,991	119,871	113,778	90,022	84,224
Other	-	-	471	3,614	-	-
Changes of assumptions	534,753	183,354	60,256	-	-	-
Differences in experience	(184,720)	(343,363)	(41,674)	(38,954)	(136,614)	-
Benefit payments	(72,896)	(64,124)	(59,427)	(44,859)	(27,143)	(43,126)
Net change in total OPEB liability	472,815	(25,931)	147,489	100,245	(36,801)	75,529
Total OPEB liability - beginning of year	2,167,039	2,192,970	2,045,481	1,945,236	1,982,037	1,906,508
Total OPEB liability - end of year (a)	<u>\$ 2,639,854</u>	<u>\$ 2,167,039</u>	<u>\$ 2,192,970</u>	<u>\$ 2,045,481</u>	<u>\$ 1,945,236</u>	<u>\$ 1,982,037</u>
Plan fiduciary net position:						
Contributions - employer	\$ 82,896	\$ 74,124	\$ 69,427	\$ 54,753	\$ 33,181	\$ 46,686
Net investment income (loss)	(154,114)	199,367	23,253	39,732	37,143	95,126
Benefit payments	(72,896)	(64,124)	(59,427)	(44,859)	(27,143)	(43,126)
Net change in Plan fiduciary net position	(144,114)	209,367	33,253	49,626	43,181	98,686
Plan fiduciary net position - beginning of year	1,031,256	821,889	788,636	739,010	695,829	597,143
Plan fiduciary net position - end of year (b)	<u>\$ 887,142</u>	<u>\$ 1,031,256</u>	<u>\$ 821,889</u>	<u>\$ 788,636</u>	<u>\$ 739,010</u>	<u>\$ 695,829</u>
Net OPEB liability - end of year (a) - (b)	<u>\$ 1,752,712</u>	<u>\$ 1,135,783</u>	<u>\$ 1,371,081</u>	<u>\$ 1,256,845</u>	<u>\$ 1,206,226</u>	<u>\$ 1,286,208</u>
Plan fiduciary net position as a percentage of the total OPEB liability	33.6%	47.6%	37.5%	38.6%	38.0%	35.1%
Covered-employee payroll	\$ 3,751,811	\$ 3,148,784	\$ 2,962,073	\$ 2,317,408	\$ 1,790,486	\$ 1,537,797
Net OPEB liability as a percentage of covered-employee payroll	46.7%	36.1%	46.3%	54.2%	67.4%	83.6%

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.

Includes amounts from the PMLD financial statements for the years ended December 31.

See independent auditors' report.

TOWN OF PRINCETON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - OPEB

YEAR ENDED JUNE 30, 2022

SCHEDULE OF CONTRIBUTIONS

	Year Ended June 30,					
	2022	2021	2020	2019	2018	2017
Actuarially-determined contribution	\$ 152,318	\$ 120,541	\$ 151,482	\$ 146,042	\$ 82,145	\$ 87,360
Contributions in relation to the actuarially-determined contribution	(82,896)	(74,124)	(69,427)	(54,859)	(37,143)	(95,126)
Contribution deficiency (excess)	\$ 69,422	\$ 46,417	\$ 82,055	\$ 91,183	\$ 45,002	\$ (7,766)
Covered-employee payroll	\$ 3,751,811	\$ 3,148,784	\$ 2,962,073	\$ 2,317,408	\$ 1,790,486	\$ 1,537,797
Contribution as a percentage of covered-employee payroll	2.21%	2.35%	2.34%	2.37%	2.07%	6.19%
Valuation Date	July 1, 2021	July 1, 2019				
Amortization Period	30 years	30 years				
Investment rate of return	5.46%	6.09%				
Single Equivalent Discount Rate	5.41%	6.25%				
Inflation	2.50%	2.50%				
Healthcare cost trend rates	4.50%	4.50%				
Salary increases	3.00%	3.00%				
Actuarial Cost Method	Individual Entry Age Normal (for all years)					
Asset Valuation Method	Market Value of Assets as of Reporting Date (for all years)					

SCHEDULE OF INVESTMENT RETURNS

	Year Ended June 30,					
	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expenses	-14.94%	24.26%	2.95%	5.36%	4.77%	12.31%

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.

Includes amounts from the PMLD financial statements for years ended December 31

See independent auditors' report.

TOWN OF PRINCETON, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
Revenues:						
Property taxes	\$ 9,898,169	\$ 9,898,169	\$ 9,920,583		\$ 9,920,583	\$ 22,414
Intergovernmental	601,974	601,974	637,156		637,156	35,182
Motor vehicle and other excises	500,000	500,000	692,629		692,629	192,629
Departmental and other revenue	60,000	60,000	88,129		88,129	28,129
License and permits	5,000	5,000	14,988		14,988	9,988
Penalties and interest on taxes	50,000	50,000	121,375		121,375	71,375
Fines and forfeitures	4,500	4,500	7,153		7,153	2,653
Investment income	2,000	2,000	2,768		2,768	768
Total Revenues	<u>11,121,643</u>	<u>11,121,643</u>	<u>11,484,781</u>		<u>11,484,781</u>	<u>363,138</u>
Expenditures:						
General government	1,136,673	1,136,673	861,771	\$ -	861,771	274,902
Public safety	1,477,042	1,477,042	1,290,598	-	1,290,598	186,444
Education	5,661,886	5,661,886	5,661,886	-	5,661,886	-
Public works	1,995,284	1,995,284	1,720,671	255,294	1,975,965	19,319
Health and human services	138,491	138,491	131,682	500	132,182	6,309
Culture and recreation	312,553	312,553	290,283	8,945	299,228	13,325
State and county tax assessments	27,767	27,767	25,227	-	25,227	2,540
Pension and fringe benefits	658,818	658,818	655,307	-	655,307	3,511
Debt service	458,397	458,397	423,625	-	423,625	34,772
Total Expenditures	<u>11,866,911</u>	<u>11,866,911</u>	<u>11,061,050</u>	<u>\$ 264,739</u>	<u>11,325,789</u>	<u>541,122</u>
Other Financing Sources (Uses):						
Transfers in	-	-	5,500		5,500	5,500
Transfers out	(120,000)	(232,047)	(232,047)		(232,047)	-
Total Other Financing Sources (Uses)	<u>(120,000)</u>	<u>(232,047)</u>	<u>(226,547)</u>		<u>(226,547)</u>	<u>5,500</u>
(DEFICIENCY) EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>(865,268)</u>	<u>(977,315)</u>	<u>\$ 197,184</u>		<u>\$ (67,555)</u>	<u>\$ 909,760</u>
Other Budgetary Items:						
Undesignated surplus (free cash)	185,000	297,047				
Prior year encumbrances	680,268	680,268				
Total Other Budgetary Items	<u>865,268</u>	<u>977,315</u>				
Net Budget	<u>\$ -</u>	<u>\$ -</u>				

See notes to the required supplementary information of this schedule.

See accompanying independent auditors' report.

TOWN OF PRINCETON, MASSACHUSETTS

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2022**

Budgetary Basis of Accounting

Budgetary Information – An annual budget is legally adopted for the general fund. Financial orders are initiated by department heads, recommended by the Selectboard and approved by the Town Meeting members at the Town’s Annual Meeting. Expenditures may not legally exceed appropriations at the department level. Department heads may transfer, without Town Meeting approval, appropriation balances from one expenditure account to another within their department or budget. The Town Meeting, however, must approve any transfer of unencumbered appropriation balances between departments or categories unless it is pursuant to MGL Chapter 44 Section 34B, which allows the Selectboard and Advisory Committee to transfer funds within certain guidelines. At the close of each fiscal year, unencumbered appropriation balances lapse or reverts to unreserved fund balance.

The Town adopts an annual budget for the general fund in conformity with the guidelines described above. Differences between the original budget and the final budget were minor in current year.

The Town Accountant has the responsibility to ensure that budgetary control is maintained in the manner in which the appropriations were voted at Town Meeting. Budgetary control is exercised through the Town’s accounting system.

Budgetary-to-GAAP Reconciliation – The Town’s general fund is prepared on a basis other than GAAP. A reconciliation of the budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2022, is as follows:

	<u>Basis of Accounting Differences</u>	<u>Fund Perspective Differences</u>	<u>Total</u>
Revenues on a budgetary basis			\$ 11,484,781
Revenue recognition	\$ (13,754)	\$ -	(13,754)
Stabilization revenue	-	(40,478)	(40,478)
Revenues on a GAAP basis	<u>\$ -</u>	<u>\$ (40,478)</u>	<u>\$ 11,430,549</u>
 Expenditures on a budgetary basis			 \$ 11,061,050
OPEB transfer	\$ 10,000	\$ -	10,000
Expenditures on a GAAP basis	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 11,071,050</u>
 Net other financing sources (uses) on a budgetary basis			 \$ (226,547)
OPEB transfer	\$ 10,000	\$ -	10,000
Stabilization transfers		102,047	102,047
Net other financing sources (uses) on a GAAP basis	<u>\$ 10,000</u>	<u>\$ 102,047</u>	<u>\$ (114,500)</u>