

**ROSELLI, CLARK & ASSOCIATES**  
Certified Public Accountants

**TOWN OF OAKHAM, MASSACHUSETTS**

Report on Examination of the Basic Financial Statements and  
Additional Information

Year Ended June 30, 2021



# TOWN OF OAKHAM, MASSACHUSETTS

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## **INDEPENDENT AUDITORS' REPORT**

Honorable Board of Selectmen  
Town of Oakham, Massachusetts

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

## Opinions

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

## Other Matters

### *Required Supplementary Information*

Management has omitted the management, discussion, and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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

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

*Roselli Clark & Associates*

Roselli, Clark and Associates  
Certified Public Accountants  
Woburn, Massachusetts  
June 2, 2023

**TOWN OF OAKHAM, MASSACHUSETTS**

**STATEMENT OF NET POSITION**

**JUNE 30, 2021**

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	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 1,263,672
Investments	1,513,682
Receivables, net of allowance for uncollectible accounts:	
Property taxes	77,538
Excise taxes	52,477
Departmental and other	8,690
Intergovernmental	405,892
Capital assets not being depreciated	497,500
Capital assets, net of depreciation	3,941,501
<b>Total Assets</b>	<u>7,760,952</u>
 <b>Deferred Outflows of Resources</b>	
Pensions	<u>74,944</u>
 <b>Liabilities</b>	
Current liabilities:	
Warrants and accounts payable	95,227
Planning board deposits	118,358
Unearned revenue	102,418
Other liabilities	1,008
Noncurrent liabilities:	
Due in one year or less	18,125
Due in more than one year	1,345,958
<b>Total Liabilities</b>	<u>1,681,094</u>
 <b>Deferred Inflows of Resources</b>	
Pensions	<u>127,429</u>
 <b>Net Position</b>	
Net investment in capital assets	4,112,751
Restricted for:	
Nonexpendable perpetual funds	107,145
Expendable perpetual funds	836,646
Other purposes	722,202
Unrestricted	248,629
<b>Total Net Position</b>	<u>\$ 6,027,373</u>

See accompanying notes to basic financial statements.

**TOWN OF OAKHAM, MASSACHUSETTS**

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

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<u>Governmental Activities</u>					
General government	\$ 396,026	\$ 191,281	\$ 147,103	\$ -	\$ (57,642)
Public safety	790,779	269,948	108,092	-	(412,739)
Education	2,513,181	-	5,902	-	(2,507,279)
Public works	644,741	-	-	451,620	(193,121)
Health and human services	137,586	18,810	101,253	-	(17,523)
Culture and recreation	112,370	139	13,040	-	(99,191)
Interest expense	16,358	-	-	-	(16,358)
Total Primary Government	<u>\$ 4,611,041</u>	<u>\$ 480,178</u>	<u>\$ 375,390</u>	<u>\$ 451,620</u>	(3,303,853)
<u>General Revenues</u>					
					3,127,632
					203,729
					307,965
					26,595
					199,480
					<u>3,865,401</u>
					561,548
					<u>5,465,825</u>
					<u>\$ 6,027,373</u>

See accompanying notes to basic financial statements.

**TOWN OF OAKHAM, MASSACHUSETTS**

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

	General	ARPA Fund	Nonmajor Governmental Funds	Trust Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 1,066,053	\$ 102,418	\$ 59,347	\$ 35,854	\$ 1,263,672
Investments	605,745	-	-	907,937	1,513,682
Receivables, net of allowances:					
Property taxes	77,538	-	-	-	77,538
Excise taxes	52,477	-	-	-	52,477
Departmental and other	2,849	-	5,841	-	8,690
Due from other governments	-	-	405,892	-	405,892
Total Assets	<u>1,804,662</u>	<u>102,418</u>	<u>471,080</u>	<u>943,791</u>	<u>3,321,951</u>
<b>Deferred Outflows of Resources</b>	-	-	-	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 1,804,662</u>	<u>\$ 102,418</u>	<u>\$ 471,080</u>	<u>\$ 943,791</u>	<u>\$ 3,321,951</u>
<b>Liabilities</b>					
Warrants and accounts payable	\$ 79,606	\$ -	\$ 15,621	\$ -	\$ 95,227
Planning board deposits	118,358	-	-	-	118,358
Unearned revenue	-	102,418	-	-	102,418
Other liabilities	1,008	-	-	-	1,008
Total Liabilities	<u>198,972</u>	<u>102,418</u>	<u>15,621</u>	<u>-</u>	<u>317,011</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenues - property taxes	77,538	-	-	-	77,538
Unavailable revenues - excise taxes	52,477	-	-	-	52,477
Unavailable revenues - departmental and other	2,849	-	5,841	-	8,690
Total Deferred Inflows of Resources	<u>132,864</u>	<u>-</u>	<u>5,841</u>	<u>-</u>	<u>138,705</u>
<b>Fund Balances</b>					
Nonspendable	-	-	-	107,145	107,145
Restricted	-	-	449,618	836,646	1,286,264
Committed	277,851	-	-	-	277,851
Assigned	16,484	-	-	-	16,484
Unassigned	1,178,491	-	-	-	1,178,491
Total Fund Balances	<u>1,472,826</u>	<u>-</u>	<u>449,618</u>	<u>943,791</u>	<u>2,866,235</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 1,804,662</u>	<u>\$ 102,418</u>	<u>\$ 471,080</u>	<u>\$ 943,791</u>	<u>\$ 3,321,951</u>

See accompanying notes to basic financial statements.

**TOWN OF OAKHAM, MASSACHUSETTS**

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

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<b>Total Governmental Fund Balances</b>	\$ 2,866,235
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	4,439,001
Other long-term assets are not available to pay for current-period expenditures and are therefore unavailable within the funds.	138,705
Deferred outflows and inflows of resources to be recognized in future pension expense are not available resources and therefore are not reported in the funds:	
Deferred outflows of resources - pensions	74,944
Deferred inflows of resources - pensions	(127,429)
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	(326,250)
Net pension liability	<u>(1,037,833)</u>
<b>Fund Balances of Governmental Activities</b>	<u><u>\$ 6,027,373</u></u>

See accompanying notes to basic financial statements.



**TOWN OF OAKHAM, MASSACHUSETTS**

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

	General	ARPA Fund	Nonmajor Governmental Funds	Trust Funds	Total Governmental Funds
<b>Revenues</b>					
Real estate and personal property taxes	\$ 3,118,526	\$ -	\$ -	\$ -	\$ 3,118,526
Intergovernmental	314,312	-	706,617	-	1,020,929
Motor vehicle and other excises	283,268	-	-	-	283,268
Departmental and other revenue	205,214	-	276,190	-	481,404
License and permits	7,890	-	-	-	7,890
Penalties and interest on taxes	26,595	-	-	-	26,595
Fines and forfeitures	2,086	-	-	-	2,086
Investment income	16,824	-	-	182,656	199,480
Contributions and donations	-	-	3,555	6,255	9,810
Total Revenues	<u>3,974,715</u>	<u>-</u>	<u>986,362</u>	<u>188,911</u>	<u>5,149,988</u>
<b>Expenditures</b>					
Current:					
General government	331,518	-	17,695	-	349,213
Public safety	439,333	-	363,351	-	802,684
Education	2,501,680	-	-	-	2,501,680
Public works	302,705	-	451,620	3,725	758,050
Health and human services	11,344	-	121,626	4,281	137,251
Culture and recreation	84,320	-	22,086	-	106,406
Pensions and other fringe benefits	111,613	-	-	-	111,613
State and county tax assessments	4,368	-	-	-	4,368
Debt service:					
Principal	18,125	-	-	-	18,125
Interest	16,358	-	-	-	16,358
Total Expenditures	<u>3,821,364</u>	<u>-</u>	<u>976,378</u>	<u>8,006</u>	<u>4,805,748</u>
<b>Excess of Revenues over Expenditures</b>	<u>153,351</u>	<u>-</u>	<u>9,984</u>	<u>180,905</u>	<u>344,240</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	35,000	-	-	-	35,000
Transfers out	-	-	(35,000)	-	(35,000)
Total Other Financing Sources (Uses)	<u>35,000</u>	<u>-</u>	<u>(35,000)</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	188,351	-	(25,016)	180,905	344,240
<b>Fund Balances - Beginning of year</b>	<u>1,284,475</u>	<u>-</u>	<u>474,634</u>	<u>762,886</u>	<u>2,521,995</u>
<b>Fund Balances - End of year</b>	<u>\$ 1,472,826</u>	<u>\$ -</u>	<u>\$ 449,618</u>	<u>\$ 943,791</u>	<u>\$ 2,866,235</u>

See accompanying notes to basic financial statements.

**TOWN OF OAKHAM, MASSACHUSETTS**

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

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**Net Change in Fund Balances - Total Governmental Fund Balances** \$ 344,240

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

The amounts are represented here as reconciling items:

Capital outlays	\$ 569,991	
Depreciation expense	(416,425)	
Net effect of reporting capital assets		153,566

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 amount presented here as a reconciling item represents repayments on long-term debt in fiscal year

Repayments on long-term debt	18,125	
Net effect of reporting long-term debt		18,125

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

22,601

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:

Net pension liability	23,016	
Net effect of reporting long-term liabilities		23,016

**Net Change in Fund Balances of Governmental Activities** \$ 561,548

See accompanying notes to basic financial statements.

# TOWN OF OAKHAM, MASSACHUSETTS

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

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### I. Summary of Significant Accounting Policies

The accompanying basic financial statements of the Town of Oakham (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 government entities. The following is a summary of the more significant policies and practices used by the Town:

#### A. Reporting Entity

The Town is located in Worcester County and is a suburb of the City of Worcester. The Town was incorporated in 1762. The governing structure utilizes an open town meeting format with an elected three-member Board of Selectmen, who oversee the Town’s day-to-day operations. Selectmen serve staggered three-year terms.

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.

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

The Town is a member community of the Quabbin Regional School District, which 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 2021, the Town’s assessment was \$2,301,456. 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 872 South Street, Barre, Massachusetts 01005.

#### 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 non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Town does not have any business-type activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. The Town’s general fund is the sole major individual government funds and is reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

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

- 1) The total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least ten percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), and
- 2) The total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent 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*. 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 is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. For the most part, the effect of Interfund activity has been removed from the government-wide financial statements.

The governmental fund financial statements are reported using *the current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e. measurable and available). Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for 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 one, moneys must be expended for a specific purpose or project before any amounts will be paid to the; therefore, revenues are recognized as expenditures are incurred. In the other, 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. 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.

ARPA Fund – is used to account for activities of the Town’s ARPA federal grant program.

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

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

Trust Funds – are used to account for funds bequeathed to the Town for purposes stipulated by the donors.

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

The Town does not have any fiduciary funds.

When both restricted and unrestricted resources are available for use, it is the Town’s policy to use restricted resources first, then unrestricted resources, as they are needed.

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

Deposits and Investments – The Town’s cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments for the Town are reported at fair value in accordance with GAAP.

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

Real estate taxes and water and user fees are secured through a lien process within sixty days after the due date and are considered 100% collectible. Accordingly, an allowance for uncollectible balances for these receivables is not reported. All personal property tax, excise tax

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

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

Capital Assets – Capital assets include land, land improvements, buildings and improvements, machinery and equipment, vehicles, software and infrastructure (e.g. roads, sidewalks, water mains, and similar items). 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 \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected lives of 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 on a straight-line-basis.

The estimated useful lives of capital assets being depreciated are as follows:

Buildings and improvements	20 – 40 years
Vehicles, machinery and equipment	5 – 20 years
Infrastructure	15 – 20 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.

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.

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.

Compensated Absences – It is the Town’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Compensated absence liabilities are normally paid from the funds reporting payroll and related expenditures (the general fund in the case of the Town). 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.

Long-term Obligations – Long-term debt is reported as liabilities in the government-wide statement of net position. Bond premiums and discounts, in addition to issuance costs (if

material), are amortized over the life of the bonds using the effective interest method. Bond anticipation notes payable are reported net of the applicable bond premium or discount.

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

*Risk Financing* – The Town insures for workers’ compensation, health, unemployment benefits, casualty, theft and other losses. Uninsured losses are recorded as expenditures when incurred.

*Deferred Outflows/Inflows of Resources* – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports deferred outflows of resources in its government-wide financial statements relative to pension-related transactions. The Town does not report deferred outflows of resources in its governmental funds financial statements. Deferred pensions will be recognized into pension expense within the next four years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports deferred inflows of resources in its government-wide financial statements relative to pension-related transactions. The deferred pensions will be recognized as reductions to pension expense within the next four years. The Town reports unavailable revenues as deferred inflows of resources in its governmental funds financial statements. These amounts will be recognized as an inflow of resources in the period that the amounts become available.

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

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific use. Net position has been *restricted for* the following:

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

*Expendable permanent funds* represent the amounts held in trust whereby expenditures are subject to various trust agreements.

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

*Fund Equity* – In the fund financial statements, fund balance for governmental funds is reported in 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) or (b) legally or contractually required to be maintained intact such as the corpus of an endowment.

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

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

*Assigned* represents amounts that are constrained by the Town’s intent to be used for specific purposes but are neither restricted nor committed. The Town has by ordinance authorized the Town Administrator to assign fund balance. The Town Meeting may also assign fund balance as it does when it appropriates fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

*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.



The following table reflects the Town's fund equity categorizations:

	General Fund	Nonmajor Governmental Funds	Trust Funds	Total Governmental Funds
Nonspendable:				
Perpetual permanent funds	\$ -	\$ -	\$ 107,145	\$ 107,145
Restricted:				
Expendable trusts	-	-	836,646	836,646
Federal and state grants	-	262,485	-	262,485
Revolving funds	-	187,133	-	187,133
Committed:				
General government	7,023	-	-	7,023
Public safety	14,728	-	-	14,728
Subsequent year expenditures	256,100	-	-	256,100
Assigned:				
General government	2,362	-	-	2,362
Public safety	6,120	-	-	6,120
Health and human services	8,002	-	-	8,002
Unassigned:				
Unrestricted	594,160	-	-	594,160
General stabilization	436,898	-	-	436,898
Other stabilization funds	147,433	-	-	147,433
	<u>\$ 1,472,826</u>	<u>\$ 449,618</u>	<u>\$ 943,791</u>	<u>\$ 2,866,235</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 three separate stabilization funds. The use of stabilization funds requires the vote of two-thirds of Town Meeting. The fund balances in the Town's stabilization funds are reported as unassigned in the general fund at June 30, 2021.

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 Controller as assigned, and (2) classify encumbrances that result from an action of the Town Council as committed. Encumbrances of funds already restricted, or committed are included within the classification of those fund balances and not reported separately. The Town reports \$16,484 of encumbrances from normal purchasing activity in the general fund as assigned. There are no encumbrances reported in any other fund.

## **E. Excess of Expenditures Over Appropriations and Deficits**

During the year ended June 30, 2021, there were no material expenditures exceeding appropriations. Additionally, there were no material deficits in the Town's nonmajor governmental funds.

## **F. 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.

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

*Custodial Credit Risk: Deposits* – In the case of deposits, this is the risk that in the event of a bank failure, the 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 June 30, 2021, the carrying amount of the Town's deposits was \$1,248,640 and the bank balance was \$1,261,421. Of the Town's bank balance, \$1,261,421 was covered by either federal depository insurance or by the depositors' insurance fund.

*Custodial Credit Risk: Investments* – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings. All of the Town's investments are registered in its name and cannot be pledged or assigned. The Town is not exposed to custodial credit risk on its investments. The Town does not have a formal investment policy related to custodial credit risk.

*Fair Value of Investments* – The Town reports its investments at fair value. When actively quoted observable prices are not available, the Town generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

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

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

The following table presents the Town’s investments carried at fair value on a recurring basis in the statement of net position at June 30, 2021:

Investments by Fair Value Level	June 30, 2021	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Debt securities:				
U.S. governmental obligations	\$ 237,769	\$ 158,127	\$ 79,642	\$ -
Corporate fixed income securities	351,384	-	351,384	-
Negotiable certificates of deposit	47,298	-	47,298	-
Total debt securities	636,451	158,127	478,324	-
Equity mutual funds	609,328	609,328	-	-
Fixed income mutual funds	267,903	-	267,903	-
Total investments by fair value level	\$ 1,513,682	\$ 767,455	\$ 746,227	\$ -

The Town’s investment in U.S. treasuries and equity securities were classified in Level 1 as these securities are traded in active markets. Investments in U.S. agency obligations, corporate bonds, certificates of deposit and fixed income mutual funds are valued using prices for similar securities in active markets and were classified in Level 2.

***Interest Rate Risk: Deposits*** – 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.

***Interest Rate Risk: Investments*** – Debt security investments are subject to interest rate risk. Debt securities may be adversely affected by changes in interest rates, which may negatively affect the fair value of individual debt instruments. The Town does not have formal investment policies that limit investment maturities as a way of managing its exposure to fair value losses arising from rising interest rates.

***Investment Maturities*** – At June 30, 2021, the Town had the following investments and maturities:

Investment Type	Fair Value	Time Until Maturity (in years)		
		Less Than 1	1 to 5	6 to 10
U.S. government obligations	\$ 237,769	\$ 78,088	\$ 159,681	\$ -
Corporate fixed income securities	351,384	53,206	263,659	34,519
Negotiable certificate of deposit	47,298	-	47,298	-
Total investments with maturities	636,451	<u>\$ 131,294</u>	<u>\$ 470,638</u>	<u>\$ 34,519</u>
<b>Other Investments:</b>				
Equity mutual funds	609,328			
Fixed income mutual funds	267,903			
Total Town investments	<u>\$ 1,513,682</u>			

Concentration of Credit Risk – The Town does not place a limit on the amount that may be invested in any one issuer. No issuer represents more than 5% of the Town’s total investments.

Credit Risk – The Town has not adopted a formal policy related to credit risk.

As of June 30, 2021, the credit quality ratings of the Town’s debt securities were as follows:

Investments	Bond Rating (Moody's)						Total
	Aaa	A1	A2	Baa1	Baa2	Unrated	
Government Obligations	\$ 237,769	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 237,769
Corp. Fixed Income Securities	-	34,905	179,236	102,546	34,697	-	351,384
Certificates of Deposit	-	-	-	-	-	47,298	47,298
Totals	<u>\$ 237,769</u>	<u>\$ 34,905</u>	<u>\$ 179,236</u>	<u>\$ 102,546</u>	<u>\$ 34,697</u>	<u>\$ 47,298</u>	<u>\$ 636,451</u>

## B. Receivables

Receivables as of June 30, 2021 for the Town’s major governmental funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, were as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Real estate taxes	\$ 46,890	\$ -	\$ 46,890
Personal property taxes	30,648	-	30,648
Tax liens	2,849	-	2,849
Motor vehicle excise taxes	52,477	-	52,477
Ambulance	80,537	(80,537)	-
Title V loan receivables	5,841	-	5,841
Intergovernmental	405,892	-	405,892
Total	<u>\$ 625,134</u>	<u>\$ (80,537)</u>	<u>\$ 544,597</u>

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

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivable type:			
Real estate and personal property taxes	\$ 77,538	\$ -	\$ 77,538
Tax liens	2,849	-	2,849
Motor vehicle excise taxes	52,477	-	52,477
Departmental and other	<u>5,841</u>	<u>-</u>	<u>5,841</u>
Total	<u>\$ 138,705</u>	<u>\$ -</u>	<u>\$ 138,705</u>

**C. Interfund Receivables, Payables and Transfers**

The composition of interfund balances at June 30, 2021 is as follows:

	<u>Transfers In</u>
<u>Transfers Out</u>	<u>General Fund</u>
Nonmajor funds	<u>\$ 35,000</u> (1)

(1) Transfer ambulance funds to general operations such as salaries, expenses and outlays for several town departments

## D. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 497,500	\$ -	\$ -	\$ 497,500
Capital assets being depreciated:				
Buildings and improvements	3,514,171	-	-	3,514,171
Infrastructure	4,080,250	446,037	-	4,526,287
Machinery and equipment	389,047	78,609	-	467,656
Vehicles	1,544,979	45,345	(39,481)	1,550,843
Total capital assets being depreciated	9,528,447	569,991	(39,481)	10,058,957
Less accumulated depreciation for:				
Buildings and improvements	(2,632,533)	(40,813)	-	(2,673,346)
Infrastructure	(1,674,588)	(262,358)	-	(1,936,946)
Machinery and equipment	(247,301)	(32,502)	-	(279,803)
Vehicles	(1,186,090)	(80,752)	39,481	(1,227,361)
Total accumulated depreciation	(5,740,512)	(416,425)	39,481	(6,117,456)
Total capital assets being depreciated, net	3,787,935	153,566	-	3,941,501
Total capital assets, net	\$ 4,285,435	\$ 153,566	\$ -	\$ 4,439,001

Depreciation expense was charged to functions/programs as follows:

General government	\$ 5,194
Public safety	82,579
Education	11,501
Public works	311,522
Culture and recreation	5,629
	<u>\$ 416,425</u>

## E. Temporary Debt

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

Current Operating Costs – Prior to 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 and carry maturity dates that are limited by state law. The Town did not have any temporary debt activity in fiscal year 2021.

**F. Long-term Obligations**

The Town issues general obligation bonds and notes payable as well as capital leases to provide funds for the acquisition and construction of major capital facilities. Additionally, the Town incurs various other long-term obligations relative to pension costs.

State law permits a Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of five percent of its equalized valuation. Debt issued in accordance with this section of the law is designated as being “inside the debt limit.” In addition, a Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being “outside the debt limit.” The Town’s legal debt margin as of June 30, 2021 was approximately \$12 million based on an equalized valuation of over \$239 million.

The following reflects the current year activity in the long-term liability accounts:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Notes from direct borrowings and placements	\$ 344,375	\$ -	\$ (18,125)	\$ 326,250	\$ 18,125
Net pension liability	1,037,009	206,837	(206,013)	1,037,833	-
Total	<u>\$ 1,381,384</u>	<u>\$ 206,837</u>	<u>\$ (224,138)</u>	<u>\$ 1,364,083</u>	<u>\$ 18,125</u>

These liabilities will be liquidated by the general fund.

General obligation notes payable outstanding at June 30, 2021 were as follows:

Description of Issue	Interest Rates	Beginning Balance	Additions	Maturities and Deductions	Ending Balance
USDA notes payable	4.75%	\$ 344,375	\$ -	\$ (18,125)	\$ 326,250
Total		<u>\$ 344,375</u>	<u>\$ -</u>	<u>\$ (18,125)</u>	<u>\$ 326,250</u>

Payments on outstanding general obligation bonds and notes payable due in future years consist of the following:

Year Ending June 30,	Direct Borrowing and Placements		
	Principal	Interest	Total
2022	\$ 18,125	\$ 15,497	\$ 33,622
2023	18,125	14,636	32,761
2024	18,125	13,775	31,900
2025	18,125	12,914	31,039
2026	18,125	12,053	30,178
2027-2031	90,625	47,352	137,977
2032-2036	90,625	25,828	116,453
2037-2039	<u>54,375</u>	<u>5,165</u>	<u>59,540</u>
Total	<u>\$ 326,250</u>	<u>\$ 147,220</u>	<u>\$ 473,470</u>

Authorized and Unissued Debt – At June 30, 2021, no amounts were authorized and unissued for additional borrowings.

### III. Other Information

#### A. Retirement System

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

Membership – Membership in the System as of December 31, 2020 was as follows:

Retirees and beneficiaries currently receiving benefits	3,941
Active plan members	7,137
Inactive plan members	2,414
Total	<u>13,492</u>
Number of employers	99

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

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

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

Normal retirement generally occurs at age 65. However, participants may retire after twenty years of service or at any time after attaining age 55, if hired prior to April 2, 2012 or at any time after attaining age 60 if hired on or after April 2, 2012. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years’ creditable service in order to retire at age 55. Participants become vested after ten years of service. Benefits commencing before age 65 are provided at a reduced rate. Members working in certain occupations may retire with full benefits earlier than age 65.

Ordinary disability retirement is where a participant is permanently incapacitated from a cause unrelated to employment. Accidental disability retirement is where the disability is the result of an injury or illness received or aggravated in the performance of duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of service, average compensation and veteran status.



Survivor benefits are extended to eligible beneficiaries of participants whose death occurs prior to or following retirement.

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

The 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 System's benefit terms in fiscal year 2021. There were no material changes made in this update to the actuarial assumptions (see below).

Contributions Requirements – The Retirement Board has elected provisions of Chapter 32, Section 22D (as amended) of Massachusetts General Laws, 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 contributed \$78,584 to the Retirement System in fiscal year 2021, which equaled the actuarially determined contribution requirement for the fiscal year. Contributions as a percentage of covered payroll was approximately 25.6% in fiscal year 2021.

Net Pension Liability – At June 30, 2021, the Town proportionate share of the net pension liability was \$1,037,833. The net pension liability was measured as of January 1, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. These figures were updated by the independent actuary to December 31, 2020. There were no material changes to the System's benefit terms since the actuarial valuation.

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 System relative to the projected contributions of all employers. The Town's proportion were approximately 0.117%.

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

The System's fiduciary net position was determined using the accrual basis of accounting. The 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 \$55,568 in pension expense in the statement of activities in fiscal year 2021.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions in its governmental activities and sewer enterprise fund from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,412	\$ 26,936
Net differences between projected and actual earnings on pension plan investments	-	53,621
Changes of assumptions	64,249	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	9,283	46,872
Total	<u>\$ 74,944</u>	<u>\$ 127,429</u>

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

Year ended June 30.

2022	\$ (19,009)
2023	(19,552)
2024	(15,181)
2025	(909)
2026	2,166
Total	<u>\$ (52,485)</u>

Actuarial Valuation – The measurement of the System’s total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2020. The significant actuarial assumptions used in the January 1, 2020 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 (2036), except for the 2002 and 2003 ERI which are 8 years (2028) and 2010 ERI which is 2 years (2022)
Asset valuation method	Market value
Investment rate of return / discount rate	7.50%, net of pension plan investment expense, including inflation
Projected salary increases	Group 1: 4.25 - 6.00%, based on service Group 4: 4.75 - 7.00%, based on service
Inflation rate	2.2% per year
Mortality rates:	
Healthy retiree	RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2018.
Disabled retiree	RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2018, set forward one year.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	39%	4.38%
Fixed Income	15%	0.05%
Value-Added Fixed Income	8%	4.00%
Private equity	13%	8.00%
Real Estate	10%	3.80%
Timber/Natural Resources	4%	4.40%
Hedge Funds	11%	3.00%

**Discount Rate** – The discount rate used to measure the total pension liability in the January 1, 2020 actuarial valuation report was 7.50%. 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 at rates equal to the actuarially-determined contribution rates and the member rate.

Based on those assumptions, the 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 proportionate share of the net pension liability calculated using the discount rate of 7.50% as well as the 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:

	Current Discount	1% Decrease	Current	1% Increase
Net pension liability	7.50%	\$ 1,278,538	\$1,037,833	\$ 834,597

## B. Risk Financing

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

## C. 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, in these situations at June 30, 2021 cannot be determined, management believes that the resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2021.

Appellate Tax Board – Generally the Town has pending cases filed with the Massachusetts Appellate Tax Board of the Commonwealth of Massachusetts (“ATB”). At June 30, 2021, there were no pending cases in ATB.

Grant Compliance – Amounts received or receivable 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, would not have a material effect on its financial condition.

Arbitrage – The Town is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties. The Town does not believe it has failed to comply with any of these agreements.

## IV. Implementation of GASB Pronouncements

### Current Year Implementations

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of the Statement was to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The provisions of this Statement became effective for the Town in fiscal year 2021. In connection with the adoption of this accounting standard, certain previously reported agency balances are now reported in the governmental funds and government-wide financial statements. The adoption of this standard did not have an impact on the Town’s financial statements.

In August 2018, the GASB issued GASB Statement No. 90, *Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61*. The objective of this Statement was to

improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The provisions of this Statement became effective for the Town in fiscal year 2021. The adoption of this standard did not have an impact on the Town's financial statements.

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

#### Future Implementations

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

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

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

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

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

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement is to address accounting for subscription-based information technology arrangements to government end users based on the

standards established in Statement No. 87, as amended. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

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

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**TOWN OF OAKHAM, MASSACHUSETTS**

**REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS  
YEARS ENDED JUNE 30, 2021**

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

Year Ended December 31,	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.117%	\$ 1,037,833	\$ 307,375	337.64%	50.30%
2019	0.117%	1,037,009	262,901	394.45%	47.36%
2018	0.115%	1,044,606	290,795	359.22%	43.05%
2017	0.116%	941,961	203,353	463.21%	46.40%
2016	0.139%	1,137,476	280,270	405.85%	42.00%
2015	0.136%	967,436	268,162	360.77%	44.52%
2014	0.117%	1,055,202	268,162	393.49%	47.94%

**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)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	\$ 78,584	\$ 78,584	\$ -	\$ 307,375	25.57%
2020	70,935	70,935	-	262,901	26.98%
2019	64,138	64,138	-	290,795	22.06%
2018	58,451	58,451	-	203,353	28.74%
2017	65,966	65,966	-	280,270	23.54%
2016	61,314	61,314	-	268,162	22.86%
2015	70,077	70,077	-	268,162	26.13%

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

See accompanying independent auditors' report.

TOWN OF OAKHAM, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL – GENERAL FUND  
 YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
<b>Revenues:</b>						
Real estate and personal property	\$ 3,088,783	\$ 3,088,783	\$ 3,118,526		\$ 3,118,526	\$ 29,743
Intergovernmental	310,021	310,021	314,312		314,312	4,291
Motor vehicle and other excises	277,000	277,000	283,268		283,268	6,268
Licenses and permits	148,000	148,000	205,214		205,214	57,214
Departmental and other revenue	9,000	9,000	7,890		7,890	(1,110)
Penalties and interest	20,000	20,000	26,595		26,595	6,595
Fines and forfeitures	6,000	6,000	2,086		2,086	(3,914)
Investment income	1,500	1,500	16,824		16,824	15,324
Total Revenues	<u>3,860,304</u>	<u>3,860,304</u>	<u>3,974,715</u>		<u>3,974,715</u>	<u>114,411</u>
<b>Expenditures:</b>						
General government	428,346	428,346	331,518	\$ 9,386	340,904	87,442
Public safety	493,732	493,732	439,333	20,847	460,180	33,552
Education	2,555,840	2,555,840	2,501,680	-	2,501,680	54,160
Public works	342,838	342,838	302,705	-	302,705	40,133
Health and human services	26,292	26,292	11,344	-	11,344	14,948
Culture and recreation	79,687	79,687	84,320	-	84,320	(4,633)
Fringe and pension benefits	143,950	143,950	111,613	-	111,613	32,337
State and county tax assessments	4,398	4,398	4,368	-	4,368	30
Debt service	35,783	35,783	34,483	-	34,483	1,300
Total Expenditures	<u>4,110,866</u>	<u>4,110,866</u>	<u>3,821,364</u>	<u>30,233</u>	<u>3,851,597</u>	<u>259,269</u>
<b>Other Financing Sources (Uses):</b>						
Transfers in	58,587	58,587	58,587		58,587	-
Transfers out	(6,000)	(6,000)	(6,000)		(6,000)	-
Total Other Financing Sources (Uses)	<u>52,587</u>	<u>52,587</u>	<u>52,587</u>		<u>52,587</u>	<u>-</u>
(DEFICIENCY) EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE	<u>(197,975)</u>	<u>(197,975)</u>	<u>\$ 205,938</u>		<u>\$ 175,705</u>	<u>\$ 373,680</u>
<b>Other Budgetary Items:</b>						
Prior year encumbrances	28,852	28,852				
Free cash transfers	170,093	170,093				
Other	(970)	(970)				
Total Other Budgetary Items	<u>197,975</u>	<u>197,975</u>				
<b>Net Budget</b>	<u>\$ -</u>	<u>\$ -</u>				

See accompanying independent auditors' report.



**TOWN OF OAKHAM, MASSACHUSETTS**

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

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**I. Budgetary Basis of Accounting**

*Budgetary Information* – An annual budget is legally adopted for the general fund and each enterprise fund. Financial orders are approved by Town Meeting. Expenditures may not legally exceed appropriations at the department level or in the categories of personnel and non-personnel expenses. Department heads may transfer, without Town Meeting approval, appropriation balances from one account to another within their department or budget, and within the categories of personnel and non-personnel. The Town Meeting however must approve any transfer of unencumbered appropriation balances between departments or agencies. At the close of each fiscal year, unencumbered appropriation balances lapse and revert to unassigned fund balance.

*Budgetary-to-GAAP Reconciliation* – The Town’s general fund is prepared on a basis of accounting other than GAAP to conform to the Uniform Municipal Accounting System basis of accounting as prescribed by the Massachusetts Department of Revenue. A reconciliation of the budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2021, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 3,964,059
Stabilization revenue	\$ -	\$ 10,656	10,656
Revenues on a GAAP basis	<u>\$ -</u>	<u>\$ 10,656</u>	<u>\$ 3,974,715</u>
Expenditures on a GAAP basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,821,364</u>
Other financing sources (uses) on a budgetary basis			\$ 52,587
Stabilization transfers	\$ -	\$ (17,587)	(17,587)
Other financing sources (uses) on a GAAP basis	<u>\$ -</u>	<u>\$ (17,587)</u>	<u>\$ 35,000</u>