

***TOWN OF HARDWICK, MASSACHUSETTS***

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

***YEAR ENDED JUNE 30, 2021***

TOWN OF HARDWICK, MASSACHUSETTS

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JUNE 30, 2021

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## **Independent Auditor's Report**

To the Honorable Board of Selectmen  
Town of Hardwick, Massachusetts

## **Report on the Financial Statements**

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

## **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

### Unmodified Opinions

In our opinion the Statement of Net Position, the Governmental Funds Balance Sheet, the Proprietary Funds Statement of Net Position, and the Fiduciary Funds Statement of Fiduciary Net Position referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2021, in accordance with accounting principles generally accepted in the United States of America.

### Qualified Opinions

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the Statement of Activities, Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position, Proprietary Funds Statement of Cash Flows, and Fiduciary Funds Statement of Changes in Fiduciary Net Position referred to above present fairly, in all material respects, the respective beginning financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Qualified Opinion**

The Town's basic financial statements were not audited for the year ended June 30, 2020 and we were not engaged to audit those balances. Due to this scope limitation, we were unable to obtain sufficient appropriate audit evidence about the beginning net position and fund balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of and for the year ended June 30, 2020. Consequently, we were unable to determine whether any adjustments to those amounts or current activity were necessary.

We conducted our audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unqualified and qualified audit opinions.

### **Other Matters**

#### *Required Supplementary Information*

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2022 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Towns' internal control over financial reporting and compliance.



July 26, 2022

# ***Management's Discussion and Analysis***

## ***Management's Discussion and Analysis***

As management of the Town of Hardwick, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2021. We encourage readers to consider the information presented in this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

### ***Financial Highlights***

- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent year by \$12.2 million.
- The Town has recognized a net pension liability of \$2.8 million, along with deferred outflows related to pensions of \$187,000 and deferred inflows related to pensions of \$507,000 on the statement of net position.
- As of the close of the current year, the Town's governmental funds reported a combined ending fund balance of \$1.7 million.
- At the end of the current year, unassigned fund balance for the general fund was \$401,000, or 7.3% of total general fund expenditures.

### ***Overview of the Financial Statements***

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town of Hardwick's basic financial statements are comprised of three components: 1) the government-wide financial statements, 2) the fund financial statements, and 3) the notes to the financial statements. The government-wide financial statements provide both long-term and short-term information about the Town as a whole. The fund financial statements focus on the individual parts of the Town government, reporting the Town's operations in more detail than the government-wide statements. Both presentations (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison and enhance the Town's accountability. An additional part of the basic financial statements are the notes to the financial statements. This report also contains other 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 finances, in a manner similar to private-sector business. The statements provide both short-term and long-term information about the Town's financial position, which assists in assessing the Town's economic position at the end of the year. The statements are prepared using the full accrual basis of accounting. All revenues and expenses connected with the year are considered even if cash involved has not been received or disbursed. The government-wide financial statements include two statements:

The *statement of net position* presents information on all assets and liabilities, and deferred inflows/outflows 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 is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a

significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, education, public works, health and human services, culture and recreation, and interest. The business-type activities include the activities of the sewer operations.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The Town of Hardwick adopts an annual budget for its general fund. A budgetary comparison schedule has been provided for the general fund as required supplementary information after the notes to the financial statements to demonstrate compliance with this budget.

The Town has several governmental funds, of which, four are presented as major funds. Excluding the general fund, the Chapter 90 fund, the Capital Projects fund, and the Paige Library Trust fund, the remaining governmental funds are aggregated and shown as nonmajor governmental funds.

**Proprietary funds.** The Town maintains proprietary funds that provide the same information as the government-wide financial statements, only in more detail. The Town maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The proprietary fund financial statements provide information for sewer 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 propriety funds.

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

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town's budgetary basis of accounting, and pension obligations.



**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. The Town’s assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources for governmental and business-type activities by \$7.8 million at the close of 2021.

**Governmental Activities Financial Analysis**

The financial analysis of the Town’s governmental activities follows.

	2021
<b>Assets:</b>	
Current assets.....	\$ 2,486,964
Capital assets, non depreciable.....	348,022
Capital assets, net of accumulated depreciation....	8,068,819
<b>Total assets.....</b>	<b>10,903,805</b>
<b>Deferred outflows of resources.....</b>	<b>161,924</b>
<b>Liabilities:</b>	
Current liabilities (excluding debt).....	163,543
Noncurrent liabilities (excluding debt).....	2,409,979
Current debt.....	199,160
<b>Total liabilities.....</b>	<b>2,772,682</b>
<b>Deferred inflows of resources.....</b>	<b>438,853</b>
<b>Net position:</b>	
Net investment in capital assets.....	8,230,715
Restricted.....	1,011,412
Unrestricted.....	(1,387,933)
<b>Total net position.....</b>	<b>\$ 7,854,194</b>

Net position of \$8.2 million reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment) less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town’s net position totaling \$1 million represents resources that are subject to external restrictions on how they may be used.

The remaining balance of *unrestricted net position* has a year-end deficit balance of \$1.8 million. The primary reason for this deficit balance is the recognition of a \$2.8 million net pension liability and related deferred inflows and outflows of resources. This item has a negative effect on unrestricted net position.

At the end of the current year the Town is able to report positive balances in two of the three categories of governmental net position.

	2021
<b>Program Revenues:</b>	
Charges for services.....	\$ 1,542,620
Operating grants and contributions.....	322,792
<b>General Revenues:</b>	
Real estate and personal property taxes, net of tax refunds payable.....	4,161,298
Tax and other liens.....	68,755
Motor vehicle and other excise taxes.....	344,787
Meals tax.....	4,012
Penalties and interest on taxes.....	67,421
Payments in lieu of taxes.....	185,047
Grants and contributions not restricted to specific programs.....	608,045
Unrestricted investment income.....	16,799
<b>Total revenues.....</b>	<b>7,321,576</b>
<b>Expenses:</b>	
General government.....	721,676
Public safety.....	1,273,869
Education.....	2,850,236
Public works.....	2,028,779
Health and human services.....	318,296
Culture and recreation.....	94,663
Interest.....	8,535
<b>Total expenses.....</b>	<b>7,296,054</b>
<b>Excess (Deficiency) before transfers.....</b>	<b>25,522</b>
<b>Transfers.....</b>	<b>(39,349)</b>
<b>Change in net position.....</b>	<b>(13,827)</b>
<b>Net position, beginning of year.....</b>	<b>7,868,021</b>
<b>Net position, end of year.....</b>	<b>\$ 7,854,194</b>

General revenues for the year totaled \$5.5 million. Property taxes are the most significant general revenue source for the Town’s governmental activities. They comprise 76% of all general revenues.

Charges for services represent 83% of governmental program revenues. The Town can exercise more control over this category of revenue than any other. Charges for services represent fees charged by various Town departments for certain services. The fees charged are established by Town Meeting, the Board of Selectmen, other Town boards and commissions and the Town Administrator.

Operating and capital grants and contributions account for 17% of the governmental program revenues. Most of these resources apply to the general government, public safety, and health and human services functions. This was largely due to the recognition of various COVID-19 grant revenues, public safety grant revenues and a Green Communities grant from the Commonwealth of Massachusetts.

Education expense represents 39% of total expenses and is the largest functional expense item. Education expenses amounted to \$2.9 million which was funded through general revenues which primarily consist of property taxes, motor vehicle excise taxes, and grants not restricted to specific programs.

General government, public safety and public works are the next largest activities of the Town with operating expenditures of \$737,000, \$1.3 million and \$2.1 million, respectively. These expenditures were funded with charges for services and operation grants and contributions in the amount of \$1.9 million. The balance of the expenditures were funded with general revenues.

**Business-type Activities Financial Analysis**

For the Town’s business-type activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4.4 million at the close of 2021.

	2021
<b>Assets:</b>	
Current assets.....	\$ 817,601
Capital assets, non depreciable.....	1,615,263
Capital assets, net of accumulated depreciation....	7,950,663
<b>Total assets.....</b>	<b>10,383,527</b>
<b>Deferred outflows of resources.....</b>	<b>25,228</b>
<b>Liabilities:</b>	
Current liabilities (excluding debt).....	1,844,574
Noncurrent liabilities (excluding debt).....	375,480
Current debt.....	2,427,603
Noncurrent debt.....	1,279,971
<b>Total liabilities.....</b>	<b>5,927,628</b>
<b>Deferred inflows of resources.....</b>	<b>68,374</b>
<b>Net position:</b>	
Net investment in capital assets.....	4,429,740
Unrestricted.....	(16,987)
<b>Total net position.....</b>	<b>\$ 4,412,753</b>

Net position of the business-type activities totaled \$4.39 million, of which \$4.43 million reflects the net investment in capital assets. The remaining portion is in a deficit mainly due the net pension liability and related deferred inflows and outflows of resources.

	2021
<b>Program Revenues:</b>	
Charges for services.....	\$ 609,749
Capital grants and contributions.....	22,500
<b>General Revenues:</b>	
Unrestricted investment income.....	699
<b>Total revenues.....</b>	<b>632,948</b>
<b>Expenses:</b>	
Sewer.....	872,831
<b>Excess (Deficiency) before transfers.....</b>	<b>(239,883)</b>
<b>Transfers.....</b>	<b>39,349</b>
<b>Change in net position.....</b>	<b>(200,534)</b>
<b>Net position, beginning of year.....</b>	<b>4,613,287</b>
<b>Net position, end of year.....</b>	<b>\$ 4,412,753</b>

The rates charged by the enterprise funds are designed primarily to provide resources to meet debt service requirements, contractual agreements and the normal cost of operations.

### ***Financial Analysis of the Government's Funds***

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

**Governmental funds.** The focus of the Town of Hardwick'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 of Hardwick's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, governmental funds reported combined ending fund balances of \$1.7 million.

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$401,000, while \$33,500 is assigned for carryover encumbrances. Total fund balance of the general fund was \$435,000. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 7.3% of total general fund expenditures while total fund balance represents 7.9% percent of that same amount.

Ending fund balance of the general fund increased \$147,000 from the prior year. This was attributable to favorable budgetary results primarily to higher than anticipated tax revenues.

The *Chapter 90* fund recognized expenditures of \$638,000, relating to the roadway infrastructure improvements and maintenance. Grant proceeds were also recorded in the amount of \$956,000. An intergovernmental receivable of \$96,000 offset fund liabilities of an equal amount.

The *Capital Projects* fund ended the year in a deficit largely due to unfunded prior year project expenditures. The fund recognized short term debt of \$199,000. This BAN, in effect, acts as a temporary funding source for the fund deficit.

The *Paige Library Trust* fund accounts for the permanent trust fund established with the endowment of Elisabeth Morss. The fund ended the year with a surplus of \$551,000.

Nonmajor governmental funds, which are comprised of special revenue funds and permanent funds, ended the year with a fund balance of \$881,000. The increase is primarily due to the timing between when grant revenues are received and when expenditures are incurred.

### ***General Fund Budgetary Highlights***

The original and final general fund budget consisted of \$5.6 million in departmental appropriations inclusive of \$80,000 carried forward from 2020.

Actual revenues exceeded budget expectations by \$176,000 due to property and other tax collections exceeding expectations. Actual expenditures plus encumbrances were over budget by \$5,900 due higher than expected general government, public safety and snow and ice expenditures being high than expected. These were primarily offset by lower than anticipated education, health and human services, and employee benefits costs.

### ***Capital Asset and Debt Administration***

During the current year, the Town capitalized \$698,000 of governmental activities capital expenditures. The amounts capitalized reflected investments in infrastructure, and machinery, equipment and furnishings purchases. The Town also capitalized \$2.1 million of business-type activities capital expenditures. The amounts capitalized reflected investments in infrastructure.

The outstanding debt of the general government, as of June 30, 2021, totaled \$199,000 and consists of a BAN relative to police and other municipal building projects.

As of June 30, 2021 the sewer enterprise fund has \$1.3 million in long term debt and \$2.4 million in BANS that are fully supported by the rates and does not rely on a general fund subsidy.

Please refer to notes 4, 5, 6 and 7 for further analysis of the major capital and debt activity.

### ***Requests for Information***

This financial report is designed to provide a general overview of the Town of Hardwick's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Town of Hardwick, 307 Main St, P. O. Box 575 Gilbertville, Massachusetts, 01031.

***Basic Financial Statements***

**STATEMENT OF NET POSITION**

JUNE 30, 2021

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 1,939,158	\$ 667,229	\$ 2,606,387
Investments.....	14,806	-	14,806
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	33,705	-	33,705
Tax liens.....	319,178	13,430	332,608
Motor vehicle and other excise taxes.....	49,836	-	49,836
User charges.....	2,055	136,942	138,997
Departmental and other.....	8,050	-	8,050
Intergovernmental - other.....	95,901	-	95,901
Tax foreclosures.....	24,140	-	24,140
Other assets.....	135	-	135
<b>Total current assets.....</b>	<b>2,486,964</b>	<b>817,601</b>	<b>3,304,565</b>
<b>NONCURRENT:</b>			
Capital assets, nondepreciable.....	348,022	1,615,263	1,963,285
Capital assets, net of accumulated depreciation.....	8,068,819	7,950,663	16,019,482
<b>Total noncurrent assets.....</b>	<b>8,416,841</b>	<b>9,565,926</b>	<b>17,982,767</b>
<b>TOTAL ASSETS.....</b>	<b>10,903,805</b>	<b>10,383,527</b>	<b>21,287,332</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions.....	161,924	25,228	187,152
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	14,122	9,442	23,564
Accrued payroll.....	71,551	10,569	82,120
Accrued interest.....	-	24,213	24,213
Other liabilities.....	77,870	350	78,220
Capital loan payable.....	-	1,800,000	1,800,000
Notes payable.....	199,160	2,395,344	2,594,504
Loans payable.....	-	32,259	32,259
<b>Total current liabilities.....</b>	<b>362,703</b>	<b>4,272,177</b>	<b>4,634,880</b>
<b>NONCURRENT:</b>			
Net pension liability.....	2,409,979	375,480	2,785,459
Loans payable.....	-	1,279,971	1,279,971
<b>Total noncurrent liabilities.....</b>	<b>2,409,979</b>	<b>1,655,451</b>	<b>4,065,430</b>
<b>TOTAL LIABILITIES.....</b>	<b>2,772,682</b>	<b>5,927,628</b>	<b>8,700,310</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions.....	438,853	68,374	507,227
<b>NET POSITION</b>			
Net investment in capital assets.....	8,230,715	4,429,740	12,660,455
Restricted for:			
Permanent funds:			
Expendable.....	753,422	-	753,422
Nonexpendable.....	195,975	-	195,975
Gifts and grants.....	62,015	-	62,015
Unrestricted.....	(1,387,933)	(16,987)	(1,404,920)
<b>TOTAL NET POSITION.....</b>	<b>\$ 7,854,194</b>	<b>\$ 4,412,753</b>	<b>\$ 12,266,947</b>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 721,676	\$ 166,255	\$ 84,356	\$ -	\$ (471,065)
Public safety.....	1,273,869	333,827	52,922	-	(887,120)
Education.....	2,850,236	-	-	-	(2,850,236)
Public works.....	2,028,779	993,509	1,125	-	(1,034,145)
Health and human services.....	318,296	38,927	178,383	-	(100,986)
Culture and recreation.....	94,663	10,102	6,006	-	(78,555)
Interest.....	8,535	-	-	-	(8,535)
Total Governmental Activities.....	<u>7,296,054</u>	<u>1,542,620</u>	<u>322,792</u>	<u>-</u>	<u>(5,430,642)</u>
<i>Business-Type Activities:</i>					
Sewer.....	<u>872,831</u>	<u>609,749</u>	<u>-</u>	<u>22,500</u>	<u>(240,582)</u>
Total Primary Government.....	<u>\$ 8,168,885</u>	<u>\$ 2,152,369</u>	<u>\$ 322,792</u>	<u>\$ 22,500</u>	<u>\$ (5,671,224)</u>

See notes to basic financial statements.

(Continued)



**STATEMENT OF ACTIVITIES (continued)**

YEAR ENDED JUNE 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net position:</b>			
Net (expense) revenue from previous page..... \$	<b>(5,430,642)</b>	<b>(240,582)</b>	<b>(5,671,224)</b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	4,161,298	-	4,161,298
Tax and other liens.....	68,755	-	68,755
Motor vehicle and other excise taxes.....	344,787	-	344,787
Meals tax.....	4,012	-	4,012
Penalties and interest on taxes.....	67,421	-	67,421
Payments in lieu of taxes.....	185,047	-	185,047
Grants and contributions not restricted to specific programs.....	608,045	-	608,045
Unrestricted investment income.....	16,799	699	17,498
<i>Transfers, net</i> .....	(39,349)	39,349	-
Total general revenues and transfers.....	<u>5,416,815</u>	<u>40,048</u>	<u>5,456,863</u>
Change in net position.....	(13,827)	(200,534)	(214,361)
<i>Net position:</i>			
Beginning of year.....	<u>7,868,021</u>	<u>4,613,287</u>	<u>12,481,308</u>
End of year..... \$	<u><u>7,854,194</u></u>	<u><u>4,412,753</u></u>	<u><u>12,266,947</u></u>

See notes to basic financial statements.

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2021

	General	Chapter 90	Capital Projects	Paige Library Trust	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents.....	\$ 465,374	\$ -	\$ 13,034	\$ 551,243	\$ 909,307	\$ 1,938,958
Investments.....	-	-	-	-	14,806	14,806
Receivables, net of uncollectibles:						
Real estate and personal property taxes.....	33,705	-	-	-	-	33,705
Tax liens.....	319,178	-	-	-	-	319,178
Motor vehicle and other excise taxes.....	49,836	-	-	-	-	49,836
User charges.....	2,055	-	-	-	-	2,055
Departmental and other.....	8,050	-	-	-	-	8,050
Intergovernmental - other.....	-	95,901	-	-	-	95,901
Tax foreclosures.....	24,140	-	-	-	-	24,140
Due from other funds.....	92,947	-	-	-	-	92,947
Other assets.....	-	-	-	-	135	135
<b>TOTAL ASSETS.....</b>	<b>\$ 995,285</b>	<b>\$ 95,901</b>	<b>\$ 13,034</b>	<b>\$ 551,243</b>	<b>\$ 924,248</b>	<b>\$ 2,579,711</b>
<b>LIABILITIES</b>						
Warrants payable.....	\$ 10,255	\$ 2,954	\$ -	\$ -	\$ 913	\$ 14,122
Accrued payroll.....	56,442	-	-	-	15,109	71,551
Due to other funds.....	-	92,947	-	-	-	92,947
Other liabilities.....	56,771	-	-	-	20,899	77,670
Notes payable.....	-	-	199,160	-	-	199,160
<b>TOTAL LIABILITIES.....</b>	<b>123,468</b>	<b>95,901</b>	<b>199,160</b>	<b>-</b>	<b>36,921</b>	<b>455,450</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue.....	436,964	-	-	-	-	436,964
<b>FUND BALANCES</b>						
Nonspendable.....	-	-	-	465,831	179,569	645,400
Restricted.....	-	-	-	85,412	707,758	793,170
Assigned.....	33,482	-	-	-	-	33,482
Unassigned.....	401,371	-	(186,126)	-	-	215,245
<b>TOTAL FUND BALANCES.....</b>	<b>434,853</b>	<b>-</b>	<b>(186,126)</b>	<b>551,243</b>	<b>887,327</b>	<b>1,687,297</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....</b>	<b>\$ 995,285</b>	<b>\$ 95,901</b>	<b>\$ 13,034</b>	<b>\$ 551,243</b>	<b>\$ 924,248</b>	<b>\$ 2,579,711</b>

See notes to basic financial statements.

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

JUNE 30, 2021

Total governmental fund balances.....	\$	1,687,297
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		8,416,841
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		436,964
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....		(276,929)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Net pension liability.....		<u>(2,409,979)</u>
Net position of governmental activities.....	\$	<u>7,854,194</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2021

	General	Chapter 90	Capital Projects	Paige Library Trust	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>						
Real estate and personal property taxes, net of tax refunds.....	\$ 4,202,064	\$ -	\$ -	\$ -	\$ -	\$ 4,202,064
Tax liens.....	47,641	-	-	-	-	47,641
Motor vehicle and other excise taxes.....	343,468	-	-	-	-	343,468
Meals tax.....	4,012	-	-	-	-	4,012
Charges for services.....	17,443	-	-	-	-	17,443
Penalties and interest on taxes.....	67,421	-	-	-	-	67,421
Fees and rentals.....	61,053	-	-	-	228,155	289,208
Payments in lieu of taxes.....	185,047	-	-	-	-	185,047
Licenses and permits.....	21,997	-	-	-	5,150	27,147
Fines and forfeitures.....	2,867	-	-	-	-	2,867
Intergovernmental - other.....	725,330	955,817	-	-	311,466	1,992,613
Departmental and other.....	34,208	-	-	-	71,221	105,429
Contributions and donations.....	-	-	-	-	29,600	29,600
Investment income.....	873	-	-	-	15,926	16,799
<b>TOTAL REVENUES.....</b>	<b>5,713,424</b>	<b>955,817</b>	<b>-</b>	<b>-</b>	<b>661,518</b>	<b>7,330,759</b>
<b>EXPENDITURES:</b>						
Current:						
General government.....	528,817	-	-	-	58,411	587,228
Public safety.....	797,626	-	-	-	319,655	1,117,281
Education.....	2,850,236	-	-	-	-	2,850,236
Public works.....	607,607	637,628	-	-	25,578	1,270,813
Health and human services.....	97,601	-	-	-	207,572	305,173
Culture and recreation.....	73,261	-	-	135	8,841	82,237
Pension benefits.....	210,913	-	-	-	-	210,913
Employee benefits.....	326,836	-	-	-	-	326,836
State and county charges.....	17,342	-	-	-	-	17,342
Debt service:						
Interest.....	8,535	-	-	-	-	8,535
<b>TOTAL EXPENDITURES.....</b>	<b>5,518,774</b>	<b>637,628</b>	<b>-</b>	<b>135</b>	<b>620,057</b>	<b>6,776,594</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	194,650	318,189	-	(135)	41,461	554,165
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in.....	-	-	7,840	-	-	7,840
Transfers out.....	(47,189)	-	-	-	-	(47,189)
<b>TOTAL OTHER FINANCING SOURCES (USES)...</b>	<b>(47,189)</b>	<b>-</b>	<b>7,840</b>	<b>-</b>	<b>-</b>	<b>(39,349)</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>147,461</b>	<b>318,189</b>	<b>7,840</b>	<b>(135)</b>	<b>41,461</b>	<b>514,816</b>
FUND BALANCES AT BEGINNING OF YEAR.....	287,392	(318,189)	(193,966)	551,378	845,866	1,172,481
FUND BALANCES AT END OF YEAR.....	\$ 434,853	\$ -	\$ (186,126)	\$ 551,243	\$ 887,327	\$ 1,687,297

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2021

Net change in fund balances - total governmental funds.....	\$	514,816
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....		697,643
Depreciation expense.....		<u>(1,314,952)</u>
Net effect of reporting capital assets.....		(617,309)
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		(9,183)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p>		
Principal payments on capital leases.....		24,734
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in deferred outflow/(inflow) of resources related to pensions.....		49,301
Net change in net pension liability.....		<u>23,814</u>
Net effect of recording long-term liabilities.....		<u>73,115</u>
Change in net position of governmental activities.....	\$	<u><u>(13,827)</u></u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF NET POSITION

JUNE 30, 2021

	Sewer
<b>ASSETS</b>	
CURRENT:	
Cash and cash equivalents.....	\$ 667,229
Receivables, net of allowance for uncollectibles:	
Liens - user charges.....	13,430
User charges.....	136,942
Total current assets.....	817,601
NONCURRENT:	
Capital assets, non depreciable.....	1,615,263
Capital assets, net of accumulated depreciation.....	7,950,663
Total noncurrent assets.....	9,565,926
TOTAL ASSETS.....	10,383,527
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions.....	25,228
<b>LIABILITIES</b>	
CURRENT:	
Warrants payable.....	9,442
Accrued payroll.....	10,569
Accrued interest.....	24,213
Other liabilities.....	350
Capital loan payable.....	1,800,000
Notes payable.....	2,395,344
Loans payable.....	32,259
Total current liabilities.....	4,272,177
NONCURRENT:	
Net pension liability.....	375,480
Loans payable.....	1,279,971
Total noncurrent liabilities.....	1,655,451
TOTAL LIABILITIES.....	5,927,628
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions.....	68,374
<b>NET POSITION</b>	
Net investment in capital assets.....	4,429,740
Unrestricted.....	(16,987)
TOTAL NET POSITION.....	\$ 4,412,753

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2021

	Sewer
<u>OPERATING REVENUES:</u>	
Charges for services.....	\$ 543,963
Liens - charges for services.....	60,767
TOTAL OPERATING REVENUES .....	604,730
<u>OPERATING EXPENSES:</u>	
Cost of services and administration.....	268,675
Salaries and wages.....	194,763
Depreciation.....	349,934
TOTAL OPERATING EXPENSES.....	813,372
OPERATING INCOME (LOSS).....	(208,642)
<u>NONOPERATING REVENUES (EXPENSES):</u>	
Investment income.....	699
Interest expense.....	(59,459)
Penalties and interest.....	5,019
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(53,741)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS.....	(262,383)
CAPITAL CONTRIBUTIONS.....	22,500
<u>TRANSFERS:</u>	
Transfers in.....	39,349
CHANGE IN NET POSITION.....	(200,534)
NET POSITION AT BEGINNING OF YEAR.....	4,613,287
NET POSITION AT END OF YEAR.....	\$ 4,412,753

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**

YEAR ENDED JUNE 30, 2021

	Sewer
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>	
Receipts from customers and users.....	\$ 577,208
Payments to vendors.....	(235,979)
Payments to employees.....	(184,194)
	157,035
<b><u>NET CASH FROM OPERATING ACTIVITIES.....</u></b>	
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>	
Transfers in.....	39,349
	39,349
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>	
Proceeds from the issuance of bonds and notes.....	2,395,344
Capital contributions.....	22,500
Acquisition and construction of capital assets.....	(1,604,398)
Principal payments on bonds and notes.....	(478,436)
Interest expense.....	(54,976)
	280,034
<b><u>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</u></b>	
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>	
Investment income.....	699
	699
<b><u>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</u></b>	
	477,117
<b><u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</u></b>	
	190,112
<b><u>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</u></b>	
	\$ 667,229
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u></b>	
<b><u>FROM OPERATING ACTIVITIES:</u></b>	
Operating income (loss).....	\$ (208,642)
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation.....	349,934
Deferred (outflows)/inflows related to pensions.....	(3,587)
Changes in assets and liabilities:	
Liens - user charges.....	2,832
User charges.....	(30,354)
Warrants payable.....	9,442
Accrued payroll.....	10,569
Net pension liability.....	26,841
	365,677
Total adjustments.....	365,677
<b><u>NET CASH FROM OPERATING ACTIVITIES.....</u></b>	
	\$ 157,035

See notes to basic financial statements.



**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2021

	Private Purpose Trust Funds	Custodial Funds
<b>ASSETS</b>		
Cash and cash equivalents.....	\$ 20,572	\$ 13,853
<b>LIABILITIES</b>		
Liabilities due depositors.....	-	13,853
<b>NET POSITION</b>		
Held in trust for other purposes.....	20,572	-
<b>TOTAL NET POSITION.....</b>	<b>\$ 20,572</b>	<b>\$ -</b>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2021

		Private Purpose Trust Funds
<u>ADDITIONS:</u>		
Contributions:		
Private donations.....	\$	80
Net investment income:		
Investment income.....		5
TOTAL ADDITIONS.....		85
NET POSITION AT BEGINNING OF YEAR.....		20,487
NET POSITION AT END OF YEAR.....	\$	20,572

See notes to basic financial statements.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The Town of Hardwick is a municipal corporation that is governed by a Board of Selectmen.

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

***Joint Venture***

The Town is a member of the Pathfinder Regional Vocational Technical High School District that provides for the vocational education of the Town's students who are of high school age. The members share in the operations of the District and each member is responsible for its proportionate share of the operational and capital cost of the District, which are paid in the form of assessments. The Town does not have an equity interest in the District and the 2021 assessment was \$255,979.

The Town is a member of the Quabbin Regional School District that provides for the vocational education of the Town's students who are of high school age. The members share in the operations of the District and each member is responsible for its proportionate share of the operational and capital cost of the District, which are paid in the form of assessments. The Town does not have an equity interest in the District and the 2021 assessment was \$2,486,517.

The Town is a member of the Smith Vocational Regional School District that provides for the vocational education of the Town's students who are of high school age. The members share in the operations of the District and each member is responsible for its proportionate share of the operational and capital cost of the District, which are paid in the form of assessments. The Town does not have an equity interest in the District and the 2021 assessment was \$42,764.

**B. Government-Wide and Fund Financial Statements*****Government-Wide Financial Statements***

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

*Fund Financial Statements*

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

*Major Fund Criteria*

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

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

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

Fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation*Government-Wide Financial Statements*

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

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

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

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

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions are charges between the general fund and water and sewer enterprise funds. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

### *Fund Financial Statements*

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

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

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

The following major governmental funds are reported:

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

The *Paige Library Trust Fund* accounts for the permanent trust fund established with an endowment from the estate of Elisabeth Morss.

The *Chapter 90 Fund* accounts for roadway and other public works improvements, funded through the Commonwealth's highway grant program.

The *Capital Projects Fund* accounts for non-enterprise fund asset acquisition, construction, or improvement.

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

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

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

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

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

The Town reports its' *sewer enterprise fund* as a major proprietary fund. The *sewer enterprise fund* is used to account for the Town's sewer activities.

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

The following fiduciary fund types are reported:

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

The *custodial fund* is primarily used to account for funds held on behalf of the Gilbertville Water District. Custodial funds apply the accrual basis of accounting but do not have a measurement focus.

#### D. Cash and Investments

##### *Government-Wide and Fund Financial Statements*

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

#### E. Fair Value Measurements

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

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

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

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

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

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

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

#### F. Accounts Receivable

##### *Government-Wide and Fund Financial Statements*

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

##### ***Real Estate, Personal Property Taxes and Tax Liens***

Real estate and personal property taxes are levied and based on values assessed on January 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessors for 100% of the estimated fair market value. Taxes are due on August 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the year of the levy.

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

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

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

##### ***Motor Vehicle Excise***

Motor vehicle excise taxes are assessed annually for each vehicle registered and are recorded as receivables in the year of the levy. The Commonwealth of Massachusetts is responsible for reporting, to the Town's Board of Assessor's, the number of vehicles, as well as the fair value of those vehicles that are registered and stored within the Town. Based on a vote of the Board of Assessor's, the Town distributes bills to the registered vehicle owners. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

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

***Departmental and Other***

Departmental and other receivables consist primarily of ambulance charges and are recorded as receivables in the year accrued. The allowance of uncollectible accounts is estimated based on historical trends and specific account analysis. Management estimates that 100% of the departmental receivables will be fully collectible.

***Intergovernmental***

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

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

***User Charges***

Flat-rate user fees are levied annually at the beginning of each fiscal year and are subject to penalties and interest if they are not paid by the respective due date. Sewer liens are processed in December of every year and included as a lien on the property owner's tax bill. Sewer charges and liens are recorded as receivables in the year of the levy.

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

**G. Inventories*****Government-Wide and Fund Financial Statements***

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

**H. Capital Assets*****Government-Wide and Proprietary Fund Financial Statements***

Capital assets, which include land, land improvements, buildings, building improvements, vehicles, machinery and equipment, and infrastructure (e.g., water mains and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation.

Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with estimated useful life in excess of five years.



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

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Buildings and improvements.....	40
Machinery, equipment & furnishings.....	5
Vehicles.....	5
Infrastructure.....	50

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

*Governmental Fund Financial Statements*

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

I. Deferred Outflows/Inflows of Resources

*Government-Wide Financial Statements (Net Position)*

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

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

*Governmental Fund Financial Statements*

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

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

### J. Interfund Receivables and Payables

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

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

#### *Fund Financial Statements*

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

### K. Interfund Transfers

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

#### *Government-Wide Financial Statements*

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

#### *Fund Financial Statements*

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

### L. Net position and Fund Equity

#### *Government-Wide Financial Statements (Net position)*

Net position reported as "net investment in capital assets" includes capital assets, net of accumulated depreciation, less the principal portion of outstanding debt used to acquire capital assets. Unspent bond proceeds of capital related debt are not considered to be capital assets. Outstanding debt related to future reimbursements from the Commonwealth's school building assistance program is not considered to be capital related debt.

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

"Permanent funds - expendable" represents the amount of realized and unrealized investment earnings of donor restricted trusts. The restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings.

"Permanent funds - nonexpendable" represents amounts held in trust for which only investment earnings may be expended.

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

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

#### *Fund Financial Statements (Fund Balances)*

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

The governmental fund balance classifications are as follows:

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

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

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

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

The Town will, from time to time, fund outlays for particular purposes from different components of fund balance. In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balances in the government fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. When different components of fund balance can be used for the same purpose, it is the Town’s policy to consider restricted fund balance to have been depleted first, followed by committed fund balance, and assigned fund balance. Unassigned fund balance is applied last.

#### M. Long-term debt

##### *Government-Wide and Proprietary Fund Financial Statements*

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

##### *Governmental Fund Financial Statements*

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

#### N. Pensions

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

#### O. Investment Income

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

Investment income and realized gains (losses) on investments from the debt service reserve fund are transferred to the general fund. Unrealized gains (losses) on investments of the debt service reserve fund are recorded in the debt service reserve fund.

Proprietary funds retain their investment income.

#### P. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

##### *Government-Wide and Proprietary Fund Financial Statements*

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

##### *Governmental Fund Financial Statements*

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

#### Q. Use of Estimates

##### *Government-Wide and Fund Financial Statements*

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

### R. Fund Deficits

At June 30, 2021, a deficit existed in the Capital Projects Fund. This deficit will be funded with future bond proceeds and other available funds.

### S. Total Column

#### *Government-Wide Financial Statements*

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

#### *Fund Financial Statements*

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

## **NOTE 2 – CASH AND INVESTMENTS**

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

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (Pool). In addition, there are various restrictions limiting the amount and length of deposits and investments.

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

### Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal deposit policy for custodial credit risk. At year-end, the carrying amount of deposits totaled \$2,611,913 and the bank balance totaled \$3,210,439. Of the bank balance, \$804,939 was covered by Federal Depository Insurance, and \$2,405,500 was covered by the Depositors Insurance Fund.

### Investments

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

The Town does not hold any investments that are measured at fair value on a recurring basis as of June 30, 2021.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Town does not have a formal investment policy for custodial credit risk.

The Town's investments in equity securities are not exposed to custodial credit risk because the related securities are held by the equity issuer under a direct stock registration system. The underlying equity securities are registered in the Town's name.

Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates

Credit Risk

The Town has not adopted a formal policy relating to Credit Risk

Concentration of Credit Risk

The Town places no limit on the amount that may be invested in any one issuer. The Town's investment of \$14,806 in equity securities represent an investment in 1 publicly traded issuer.

Fair Value of Investments

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

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

The Town's investment in equity securities is measured at fair value as a Level 1 input.

**NOTE 3 – RECEIVABLES**

At June 30, 2021, receivables for the individual major and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows.

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 33,705	\$ -	\$ 33,705
Tax liens.....	319,178	-	319,178
Motor vehicle and other excise taxes.....	59,517	(9,681)	49,836
User charges.....	2,055	-	2,055
Departmental and other.....	8,050	-	8,050
Intergovernmental - other.....	95,901	-	95,901
 Total.....	 \$ 518,406	 \$ (9,681)	 \$ 508,725

At June 30, 2021, receivables for enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Sewer liens - user charges.....	\$ 13,430	\$ -	\$ 13,430
Sewer user charges.....	136,942	-	136,942
 Total.....	 \$ 150,372	 \$ -	 \$ 150,372

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

	General Fund	Other Governmental Funds	Total
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 33,705	\$ -	\$ 33,705
Tax liens.....	319,178	-	319,178
Motor vehicle and other excise taxes.....	49,836	-	49,836
User charges.....	2,055	-	2,055
Departmental and other.....	8,050	-	8,050
<u>Other Asset Type:</u>			
Tax foreclosures.....	24,140	-	24,140
 Total.....	 \$ 436,964	 \$ -	 \$ 436,964

**NOTE 4 – CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 348,022	\$ -	\$ -	\$ 348,022
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	6,491,243	-	-	6,491,243
Machinery, equipment, and furnishings.....	335,589	60,015	-	395,604
Vehicles.....	2,023,494	-	-	2,023,494
Infrastructure.....	57,354,819	637,628	-	57,992,447
Total capital assets being depreciated.....	66,205,145	697,643	-	66,902,788
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(6,293,274)	(16,607)	-	(6,309,881)
Machinery, equipment, and furnishings.....	(211,526)	(29,700)	-	(241,226)
Vehicles.....	(1,685,659)	(108,796)	-	(1,794,455)
Infrastructure.....	(49,328,558)	(1,159,849)	-	(50,488,407)
Total accumulated depreciation.....	(57,519,017)	(1,314,952)	-	(58,833,969)
Total capital assets being depreciated, net.....	8,686,128	(617,309)	-	8,068,819
Total governmental activities capital assets, net.....	\$ 9,034,150	\$ (617,309)	\$ -	\$ 8,416,841
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Sewer:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 10,865	\$ -	\$ -	\$ 10,865
Construction in progress.....	468,973	1,604,398	(468,973)	1,604,398
Total capital assets not being depreciated....	479,838	1,604,398	(468,973)	1,615,263
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	4,553,840	-	-	4,553,840
Machinery, equipment, and furnishings.....	89,890	-	-	89,890
Vehicles.....	53,002	-	-	53,002
Infrastructure.....	9,659,701	468,973	-	10,128,674
Total capital assets being depreciated.....	14,356,433	468,973	-	14,825,406
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(2,650,296)	(125,650)	-	(2,775,946)
Machinery, equipment, and furnishings.....	(63,874)	(3,137)	-	(67,011)
Vehicles.....	(53,002)	-	-	(53,002)
Infrastructure.....	(3,757,637)	(221,147)	-	(3,978,784)
Total accumulated depreciation.....	(6,524,809)	(349,934)	-	(6,874,743)
Total capital assets being depreciated, net.....	7,831,624	119,039	-	7,950,663
Total sewer activities capital assets, net.....	\$ 8,311,462	\$ 1,723,437	\$ (468,973)	\$ 9,565,926



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

<b>Governmental Activities:</b>	
Public safety.....	\$ 69,817
Public works.....	1,242,920
Culture and recreation.....	<u>2,215</u>
Total depreciation expense - governmental activities.....	<u>\$ 1,314,952</u>
 <b>Business-Type Activities:</b>	
Sewer.....	<u>\$ 349,934</u>

**NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

During the fiscal year, the general fund transferred \$7,840 to the capital projects funds to provide resources to retire portions of various BANS held by the Town at the beginning of the fiscal year. The Town also transferred \$39,349 from the general fund to the sewer enterprise fund for debt service purposes.

**NOTE 6 – SHORT-TERM FINANCING**

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

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

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

The following short-term debt activity occurred during FY2021:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2020	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2021
<b>Governmental Funds:</b>							
	Municipal Purpose.....	1.00%	04/01/21	\$ 207,000	\$ -	\$ (207,000)	\$ -
	Municipal Purpose.....	0.4%	03/30/22	<u>-</u>	<u>199,160</u>	<u>-</u>	<u>199,160</u>
	Total Governmental Funds.....			<u>\$ 207,000</u>	<u>\$ 199,160</u>	<u>\$ (207,000)</u>	<u>\$ 199,160</u>
 <b>Sewer Enterprise Fund:</b>							
	Municipal Purpose.....	0.45%	12/15/21	\$ -	\$ 2,000,000	\$ -	\$ 2,000,000
	Municipal Purpose.....	1.00%	04/01/21	447,132	-	(447,132)	-
	Municipal Purpose.....	0.4%	03/30/22	<u>-</u>	<u>395,344</u>	<u>-</u>	<u>395,344</u>
	Total Sewer Enterprise Fund.....			<u>447,132</u>	<u>2,395,344</u>	<u>(447,132)</u>	<u>2,395,344</u>
	Total Enterprise Fund.....			<u>\$ 447,132</u>	<u>\$ 2,395,344</u>	<u>\$ (447,132)</u>	<u>\$ 2,395,344</u>

At maturity, the \$2 million BAN that matured on December 15, 2021 was renewed at an interest rate of 0.37% with a maturity date of December 15, 2022.

At maturity, \$59,628 of the BANS that matured in March 30, 2022 were paid down with available funds. The remaining \$534,876 was renewed at an interest rate of 0.88% with a maturity date of March 30, 2023.

**NOTE 7 – LONG-TERM DEBT**

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

Details related to the outstanding indebtedness at June 30, 2021, and the debt service requirements of the business-type activities are as follows:

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2021
<u>Direct borrowings:</u>				
United States Department of Agriculture.....	2047	\$ 326,000	4.375	\$ 272,441
United States Department of Agriculture.....	2047	1,012,000	4.250	850,789
United States Department of Agriculture.....	2000	270,000	2.250	<u>189,000</u>
Total Loans Payable.....				<u>\$ 1,312,230</u>

Debt service requirements for principal and interest for the business-type activities in future years are as follows.

Year	Principal	Interest	Total
2022.....	\$ 32,259	\$ 52,331	\$ 84,590
2023.....	33,255	51,132	84,387
2024.....	34,293	49,892	84,185
2025.....	35,376	48,606	83,982
2026.....	36,505	47,275	83,780
2027.....	37,683	45,894	83,577
2028.....	38,911	44,464	83,375
2029.....	40,192	42,980	83,172
2030.....	41,527	41,443	82,970
2031.....	42,921	39,846	82,767
2032.....	44,373	38,192	82,565
2033.....	45,887	36,475	82,362
2034.....	47,467	34,693	82,160
2035.....	49,113	32,844	81,957
2036.....	50,831	30,924	81,755
2037.....	52,622	28,930	81,552
2038.....	54,490	26,860	81,350
2039.....	56,438	24,710	81,148
2040.....	58,469	22,476	80,945
2041.....	60,587	20,155	80,742
2042.....	62,796	17,743	80,539
2043.....	56,100	15,237	71,337
2044.....	58,502	12,835	71,337
2045.....	61,006	10,331	71,337
2046.....	63,619	7,718	71,337
2047.....	66,266	4,994	71,260
2048.....	50,742	2,157	52,899
<b>Total.....</b>	<b>\$ 1,312,230</b>	<b>\$ 831,137</b>	<b>\$ 2,143,367</b>

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2021, the Town had \$2.3 million in authorized and unissued debt related to various roadway infrastructure projects.

Change in Long-Term Liabilities

During the year ended June 30, 2021, the changes in long-term liabilities as reported are as follows.

	Beginning Balance	Bonds Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>						
Capital lease obligations.....	\$ 24,734	\$ -	\$ -	\$ (24,734)	\$ -	\$ -
Net pension liability.....	2,433,793	-	158,668	(182,482)	2,409,979	-
Total governmental activity long-term liabilities.....	\$ 2,458,527	\$ -	\$ 158,668	\$ (207,216)	\$ 2,409,979	\$ -
<b>Business-Type Activities:</b>						
Long-term bonds payable.....	\$ 1,343,534	\$ (31,304)	\$ -	\$ -	\$ 1,312,230	\$ 32,259
Net pension liability.....	348,639	-	55,272	(28,431)	375,480	-
Total business-type activity long-term liabilities.....	\$ 1,692,173	\$ (31,304)	\$ 55,272	\$ (28,431)	\$ 1,687,710	\$ 32,259

**NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

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

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

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

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

	General	Capital Projects	Paige Library Trust	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:					
Nonspendable:					
Permanent fund principal.....	\$ -	\$ -	\$ 465,831	\$ 179,569	\$ 645,400
Restricted for:					
Paige Library Building Fund.....	-	-	85,412	-	85,412
Town Grants.....	-	-	-	165,958	165,958
Gifts and Donations.....	-	-	-	62,015	62,015
Revolving.....	-	-	-	10,621	10,621
Receipts Reserved for Appropriation.....	-	-	-	2,369	2,369
Title V Septic Program.....	-	-	-	14,088	14,088
Public Access Cable TV.....	-	-	-	188,647	188,647
Other Special Revenue.....	-	-	-	51,075	51,075
Permanent Funds - Expendable.....	-	-	-	202,179	202,179
Assigned to:					
Encumbrances:					
General government.....	21,981	-	-	-	21,981
Public safety.....	1,570	-	-	-	1,570
Public works.....	8,044	-	-	-	8,044
Health and human services.....	1,083	-	-	-	1,083
Culture and recreation.....	804	-	-	-	804
Unassigned.....	<u>401,371</u>	<u>(186,126)</u>	<u>-</u>	<u>-</u>	<u>215,245</u>
Total Fund Balances.....	<u>\$ 434,853</u>	<u>\$ (186,126)</u>	<u>\$ 551,243</u>	<u>\$ 876,521</u>	<u>\$ 1,676,491</u>

At June 30, 2021, the Town had set aside \$34,133 in stabilization funds that are classified as part of the general fund in the governmental funds financial statements. Massachusetts General Law Ch.40 §5B allows for the establishment of Stabilization funds for one or more different purposes on an as needed basis. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body.

The stabilization fund balance can be used for general and/or capital purposes upon approval of Town Meeting. Additions to and withdrawals from the funds can only be made upon Town Meeting approval. Of the total stabilization fund ending fund balance, \$29,867 can be spent on general and/or capital purposes and while \$4,266 can only be used for capital purposes. Both amounts are reported in the General Fund as a component of the unassigned fund balance within the General Fund.

**NOTE 9 – RISK FINANCING**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The Town participates in a premium-based health care plan for its active employees. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

**NOTE 10 – PENSION PLAN***Plan Description*

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

*Benefits Provided*

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

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

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

*Contributions*

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the WCRRS a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The Town's proportionate share of the required contribution equaled its actual contribution for the year ended December 31, 2020, was \$210,913, which is 22.99% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

*Pension Liabilities*

At June 30, 2021, the Town reported a liability of \$2,785,459 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2020, the Town's proportion was 0.31%, which remained the same as its proportion measured at December 31, 2019.

*Pension Expense*

For the year ended June 30, 2021, the Town recognized pension expense of \$161,052. At June 30, 2021, the Town reported deferred outflows of resources related to pensions of \$187,152 and deferred inflows of resources related to pensions of \$507,227.

The balances of deferred outflows and inflows at June 30, 2021, consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 3,789	\$ (72,293)	\$ (68,504)
Difference between projected and actual earnings, net.....	-	(143,914)	(143,914)
Changes in assumptions.....	172,438	-	172,438
Changes in proportion and proportionate share of contributions...	10,925	(291,020)	(280,095)
Total deferred outflows/(inflows) of resources.....	\$ 187,152	\$ (507,227)	\$ (320,075)

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

Year ended June 30:

2022.....	\$ (94,294)
2023.....	(99,214)
2024.....	(88,587)
2025.....	(43,892)
2026.....	5,912
Total deferred outflows/(inflows) of resources.....	\$ (320,075)

*Actuarial Assumptions*

The total pension liability in the January 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was rolled back to December 31, 2020:

Valuation date.....	January 1, 2020
Actuarial cost method.....	Individual Entry Age Normal Cost Method.
Amortization method - UAAL.....	Increasing dollar amount at 4% to reduce the Unfunded Actuarial Accrued Liability to zero on or before June 30, 2036. The annual increase in appropriation is further limited to 9.95%.
Remaining amortization period.....	Increasing dollar amount at 4.5% to reduce the 2002 and 2003 ERI Actuarial Accrued Liability to zero on or before June 30, 2028 and level payments to reduce the 2010 ERI Actuarial Accrued Liability to zero on or before June 30, 2022.

Investment rate of return.....	7.65%, net of pension plan investment expense, including inflation.
Discount rate.....	7.50%
Inflation rate.....	2.20% per year
Projected salary increases.....	Groups 1: 6% to 4.25% based on service. Group 4: 7% to 4.75% based on service.
Payroll growth.....	3.50% per year
Mortality rates.....	Mortality rates were based on the RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2018. For disabled lives, the mortality rates were based on the RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2018.

*Investment policy*

The pension plan’s policy regarding the allocation of invested assets is established by PRIT. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the pension plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The System’s expected future real rate of return of is added to the expected inflation to produce the long-term nominal expected rate of return. Best estimates of geometric real rates of return for each major asset class included in the pension plan’s target asset allocation as of January 1, 2020, are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	39.00%	4.38%
Core fixed income	15.00%	0.05%
Value added fixed income	8.00%	4.00%
Private equity.....	13.00%	8.00%
Real estate.....	10.00%	3.80%
Timberland.....	4.00%	4.40%
Portfolio completion.....	11.00%	3.00%
Total.....	100.00%	



*Rate of return*

For the year ended December 31, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 12.03%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Discount rate*

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

*Sensitivity of the net position liability to changes in the discount rate.*

The following presents the net position liability, calculated using the discount rate of 7.50%, as well as what the net position liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount (7.50%)	1% Increase (8.50%)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
The Town's proportionate share of the net pension liability.....	\$ 3,431,491	\$ 2,785,459	\$ 2,239,989
	<u>                    </u>	<u>                    </u>	<u>                    </u>

*Changes in Assumptions:*

The discount rate decreased from 7.65% to 7.50%.

*Changes in Plan Provisions:*

None.

**NOTE 11 – COMMITMENTS**

The Town is operating under various administrative consent orders (ACO's) issued by the Massachusetts' Department of Environmental Protection (DEP) related to sewer infrastructure improvements relative to the Gilbertville and Wheelwright sewer treatment plants. Additionally, the ACOs require the Town to address a privately funded sewer connection that does not comply with DEP standards.

The Town is actively taking steps to comply with the ACO's and is in the process of completing preliminary engineering plans that will identify the options available to resolve the deficiencies that led to the ACO's. The project is expected to have a cost estimate of approximately \$27.7 million. In 2021, the Town issued a \$2 million bond anticipation note the fund initial engineering plans and is pursuing other funding sources to complete the project financing.

**NOTE 12 – CONTINGENCIES**

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2021, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2021.

**NOTE 13 – COVID-19**

On March 10, 2020, the Massachusetts Governor declared a state of emergency in response to the coronavirus outbreak. The World Health Organization officially declared the novel Coronavirus (COVID-19) a pandemic the following day. In an attempt to slow the spread of COVID-19, governments issued various stay at home orders that caused global economic shutdowns and substantial financial market impact. Starting in March 2020, the Governor continued to issue orders allowing governments to operate and carry out essential functions safely. These included modifying the state's Open Meeting Law, issuing a stay-at-home order, and introducing a phased approach to reopening State businesses. The Town is considered an essential business and although it was closed to the public for a period of time, departments remained operational and most employees continued to perform their daily duties.

A number of businesses have been forced to stop or significantly reduce operations decreasing, the Town's portion of certain revenue. The Town has also incurred unanticipated costs specifically related to the pandemic.

The United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment from these funds be used only to cover expenses that; are necessary expenditures incurred due to the public health emergency with respect COVID-19; were not accounted for in the budget most recently approved as of March 27, 2020; and were incurred during the period that begins on March 1, 2020, and ends on December 30, 2021. The Commonwealth and communities throughout the Commonwealth were awarded a portion of this federal funding.

The United States Federal Government established the American Rescue Plan Act (ARPA) to enhance the United States' recovery from the economic and health effects of the COVID-19 pandemic. This Act requires that the payment from these funds be used to cover costs related to; public health; negative economic impacts; services to disproportionately impacted communities; premium pay; infrastructure; revenue replacement; or administration. These funds can only be used to cover costs incurred between March 3, 2021, and December 31, 2024. The Commonwealth and communities throughout the Commonwealth were awarded a portion of this federal funding.

In addition to funding from the CARES Act and the ARPA Act, there are several other federal and state grants available. The full extent of the financial impact cannot be determined as of the date of the financial statements.

#### **NOTE 14 – SUBSEQUENT EVENTS**

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

#### **NOTE 15 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During 2021, the following GASB pronouncements were implemented:

- GASB Statement #84, *Fiduciary Activities*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.
- GASB Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*. This pronouncement did not impact the basic financial statements.
- GASB Statement #98, *The Annual Comprehensive Financial Report*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2022.
- The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2022.
- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2023.
- The GASB issued Statement #92, *Omnibus 2020*, which is required to be implemented in 2022.
- The GASB issued Statement #93, *Replacement of Interbank Offered Rates*, which is required to be implemented in 2022.
- The GASB issued Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #96, *Subscription-Based Information Technology Arrangements*, which is required to be implemented in 2023.

- The GASB issued Statement #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, which is required to be implemented in 2022.

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

## ***Required Supplementary Information***

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

YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 4,165,509	\$ 4,137,490	\$ 4,202,064	\$ -	\$ 64,574
Tax liens.....	-	-	47,641	-	47,641
Motor vehicle and other excise taxes.....	300,000	300,000	343,468	-	43,468
Meals tax.....	2,500	2,500	4,012	-	1,512
Charges for services.....	15,000	15,000	17,443	-	2,443
Penalties and interest on taxes.....	20,000	20,000	67,421	-	47,421
Fees and rentals.....	80,000	80,000	61,053	-	(18,947)
Payments in lieu of taxes.....	178,935	178,935	185,047	-	6,112
Licenses and permits.....	50,000	50,000	21,997	-	(28,003)
Fines and forfeitures.....	6,000	6,000	2,867	-	(3,133)
Intergovernmental - other.....	730,387	730,387	725,330	-	(5,057)
Departmental and other.....	15,000	15,000	34,208	-	19,208
Investment income.....	2,000	2,000	849	-	(1,151)
<b>TOTAL REVENUES.....</b>	<b>5,565,331</b>	<b>5,537,312</b>	<b>5,713,400</b>	<b>-</b>	<b>176,088</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	554,200	533,162	528,817	21,981	(17,636)
Public safety.....	811,428	792,551	797,626	1,570	(6,645)
Education.....	2,798,165	2,860,345	2,850,236	-	10,109
Public works.....	590,780	573,612	607,607	8,044	(42,039)
Health and human services.....	137,916	134,552	97,601	1,083	35,868
Culture and recreation.....	78,406	76,007	73,261	804	1,942
Pension benefits.....	210,913	210,913	210,913	-	-
Employee benefits.....	350,212	350,212	337,661	-	12,551
State and county charges.....	17,342	17,342	17,342	-	-
Debt service:					
Principal.....	42,734	42,734	42,734	-	-
Interest.....	4,455	4,455	4,455	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>5,596,551</b>	<b>5,595,885</b>	<b>5,568,253</b>	<b>33,482</b>	<b>(5,850)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(31,220)</b>	<b>(58,573)</b>	<b>145,147</b>	<b>(33,482)</b>	<b>170,238</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Use of prior year reserves.....	79,876	79,876	-	-	(79,876)
Other amounts raised.....	(18,355)	(18,355)	-	-	18,355
Transfers in.....	11,000	38,353	38,353	-	-
Transfers out.....	(41,301)	(41,301)	-	-	41,301
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>31,220</b>	<b>58,573</b>	<b>38,353</b>	<b>-</b>	<b>(20,220)</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>-</b>	<b>-</b>	<b>183,500</b>	<b>(33,482)</b>	<b>150,018</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>225,755</b>	<b>225,755</b>	<b>225,755</b>	<b>-</b>	<b>-</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ 225,755</b>	<b>\$ 225,755</b>	<b>\$ 409,255</b>	<b>\$ (33,482)</b>	<b>\$ 150,018</b>

# ***Pension Plan Schedules***

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

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

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

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

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2020.....	0.31%	\$ 2,785,459	\$ 917,584	303.56%	50.29%
December 31, 2019.....	0.31%	2,782,432	993,792	279.98%	47.36%
December 31, 2018.....	0.34%	3,122,938	759,778	411.03%	43.05%
December 31, 2017.....	0.35%	2,803,820	855,402	327.78%	46.40%
December 31, 2016.....	0.40%	3,329,488	702,630	473.86%	42.00%
December 31, 2015.....	0.40%	2,806,076	729,681	384.56%	44.52%
December 31, 2014.....	0.45%	2,668,294	701,616	380.31%	47.94%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.



**SCHEDULE OF THE TOWN'S CONTRIBUTIONS  
WORCESTER REGIONAL RETIREMENT SYSTEM**

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2021.....	\$ 210,913	\$ (210,913)	-	\$ 935,936	22.53%
June 30, 2020.....	190,328	(190,328)	-	1,013,668	18.78%
June 30, 2019.....	191,746	(191,746)	-	774,974	24.74%
June 30, 2018.....	173,984	(173,984)	-	872,510	19.94%
June 30, 2017.....	193,088	(193,088)	-	716,683	26.94%
June 30, 2016.....	177,843	(177,843)	-	744,275	23.89%
June 30, 2015.....	148,851	(148,851)	-	715,648	20.80%

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

See notes to required supplementary information.

**NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

A. Budgetary Information

Municipal Law requires the adoption of a balanced budget that is approved by Town Meeting. The Board of Selectmen presents an annual budget to the Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Increases or transfers between and within departments subsequent to the approval of the annual budget require majority Town Meeting approval via a supplemental appropriation. The majority of appropriations are non-continuing which lapse at the end of each year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current year. These carry forwards are included as part of the subsequent year’s original budget.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by two-thirds majority vote of the Town Meeting.

The Town adopts an annual budget for the general fund in conformity with the guidelines described above. The 2021 original and final budget includes approximately \$5.6 million in authorized appropriations and other amounts to be raised. The Town Accountant’s Office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the Town’s accounting system.

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2021, is presented below:

Net change in fund balance - budgetary basis.....	\$	183,500
<u>Perspective differences:</u>		
Activity of the stabilization fund recorded in the general fund for GAAP.....		(27,504)
<u>Basis of accounting differences:</u>		
Net change in recording accrued expenditures.....		<u>(8,535)</u>
Net change in fund balance - GAAP basis.....	\$	<u><u>147,461</u></u>

C. Appropriation Deficits

The Town had expenditures in excess of appropriations in the general government and public works functions. These deficits will be funded in 2022 through the tax rate.

**NOTE B – PENSION PLAN*****Pension Plan Schedules***Schedule of the Town's Proportionate Share of the Net Pension Liability

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

Schedule of the Town's Contributions

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

Changes in Assumptions:

The discount rate decreased from 7.65% to 7.50%.

Changes in Plan Provisions:

None.

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

Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting and on Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing*

To the Honorable Board of Selectmen  
Town of Hardwick, Massachusetts

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

**Internal Control Over Financial Reporting**

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

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

This report is intended for the information of management of the Town, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

## **Purpose of this Report**

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

*Powers & Sullivan, LLC*

July 26, 2022