



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

**TOWN OF LUNENBURG, MASSACHUSETTS**

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

***YEAR ENDED JUNE 30, 2023***

**TOWN OF LUNENBURG, MASSACHUSETTS**  
**REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2023**

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## **Independent Auditor's Report**

To the Honorable Select Board  
Town of Lunenburg, Massachusetts

### **Report on the Audit of the Financial Statements**

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lunenburg, Massachusetts, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Lunenburg, Massachusetts' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lunenburg, Massachusetts, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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

#### **Responsibilities of Management for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

## **Required Supplementary Information**

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2024, on our consideration of the Town of Lunenburg, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Lunenburg, Massachusetts' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Lunenburg, Massachusetts' internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Ponteri & Allen, LLC". The signature is fluid and cursive, with "Ponteri" and "Allen" connected by a flourish, and "LLC" written in a smaller, separate area.

March 14, 2024

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

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

As management of the Town of Lunenburg, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2023. We encourage readers to consider the information presented in this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

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

### **Financial Highlights**

- The assets and deferred outflows of resources of the Town of Lunenburg exceeded its liabilities and deferred inflows of resources at the close of the most recent year by \$13.6 million (net position).
- At the close of the current year, the Town's general fund reported an ending fund balance of \$9.5 million, a decrease of approximately \$1.2 million in comparison with the prior year. Total fund balance represents 20% of total general fund expenditures.
- The Town's total debt (short-term and long-term combined) decreased by \$3.4 million during the current year. This was due to \$3.6 million in principal payments on existing debt, \$44,000 of premium amortization and \$305,000 of proceeds on short-term debt.
- The net other postemployment benefits (OPEB) liability totaled \$53.2 million as of June 30, 2023, which was an increase of \$2.4 million from the prior year balance.
- The net pension liability totaled \$21.4 million as of June 30, 2023, which was an increase of \$3.9 million from the prior year.

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

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

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

The *statement of net position* presents information on all assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between them 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 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, solid waste/recycling and PEG Access television 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 funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. 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 Lunenburg adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Proprietary funds.** The Town maintains one type of proprietary fund.

*Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its sewer, solid waste/recycling and PEG Access 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 statements because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town maintains two types of fiduciary funds. The other postemployment benefits fund is used to account for assets accumulated to provide funding for future other postemployment benefits (OPEB) liabilities. The private purpose trust fund is used to account for resources held in trust where principal and investment income exclusively benefit individuals, private organizations, or other governments.

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

## **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town of Lunenburg's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$13.6 million at the close of 2023.

Net position of \$65.0 million reflects its investment in capital assets (e.g., land, buildings and building improvements, machinery and equipment and infrastructure), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in 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 net position, \$2.4 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position was a deficit balance of \$53.8 million.

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

### **Governmental Activities**

The Town of Lunenburg's assets and deferred outflows of resources exceeded liabilities and deferred inflows or resources for governmental activities by \$394,000 at the close of 2023.

	2023	2022
<b>Assets:</b>		
Current assets.....	\$ 25,052,936	\$ 23,839,380
Noncurrent assets (excluding capital).....	892,532	918,474
Capital assets, non depreciable.....	5,538,640	5,443,189
Capital assets, net of accumulated depreciation....	85,723,879	88,873,979
<b>Total assets.....</b>	<b>117,207,987</b>	<b>119,075,022</b>
 <b>Deferred outflows of resources.....</b>	<b>12,737,950</b>	<b>12,548,733</b>
 <b>Liabilities:</b>		
Current liabilities (excluding debt).....	6,182,777	4,814,167
Noncurrent liabilities (excluding debt).....	73,876,098	67,810,472
Current debt.....	1,943,232	2,970,928
Noncurrent debt.....	30,996,932	32,635,166
<b>Total liabilities.....</b>	<b>112,999,039</b>	<b>108,230,733</b>
 <b>Deferred inflows of resources.....</b>	<b>16,553,273</b>	<b>20,153,734</b>
 <b>Net position:</b>		
Net investment in capital assets.....	58,455,662	59,351,597
Restricted.....	2,436,537	2,607,145
Unrestricted.....	(60,498,574)	(58,719,454)
<b>Total net position.....</b>	<b>\$ 393,625</b>	<b>\$ 3,239,288</b>

	2023	2022
<b>Program Revenues:</b>		
Charges for services.....	\$ 2,108,400	\$ 2,206,920
Operating grants and contributions.....	7,074,809	6,090,049
Capital grants and contributions.....	406,701	1,100,778
<b>General Revenues:</b>		
Real estate and personal property taxes, net of tax refunds payable.....	29,238,456	29,584,580
Tax and other liens.....	189,626	148,436
Motor vehicle and other excise taxes.....	2,124,964	2,129,479
Fines and forfeitures.....	13,121	14,893
Penalties and interest on taxes.....	139,964	419,883
Payments in lieu of taxes.....	1,629	7,985
Grants and contributions not restricted to specific programs.....	10,806,093	9,527,651
Unrestricted investment income (loss).....	424,886	(34,730)
Miscellaneous.....	351,702	323,285
<b>Total revenues.....</b>	<b>52,880,351</b>	<b>51,519,209</b>
<b>Expenses:</b>		
General government.....	4,028,023	3,369,612
Public safety.....	6,833,537	6,341,152
Education.....	38,793,800	36,266,444
Public works.....	3,462,277	2,935,030
Health and human services.....	615,721	562,499
Culture and recreation.....	865,943	785,560
Interest.....	1,126,713	1,205,762
<b>Total expenses.....</b>	<b>55,726,014</b>	<b>51,466,059</b>
<b>Change in net position.....</b>	<b>(2,845,663)</b>	<b>53,150</b>
<b>Net position, beginning of year.....</b>	<b>3,239,288</b>	<b>3,186,138</b>
<b>Net position, end of year.....</b>	<b>\$ 393,625</b>	<b>\$ 3,239,288</b>

The governmental expenses totaled \$55.7 million of which \$9.6 million (17%) was directly supported by program revenues consisting of charges for services, operating grants and contributions, and capital grants and contributions. General revenues totaled \$43.3 million, primarily coming from real estate and personal property taxes, motor vehicle excise taxes and non-restricted state aid.

The governmental net position decreased by \$2.8 million in 2023. The key elements of this decrease include a \$1.9 million decrease from the change in the net OPEB liability and the related deferred inflows/outflows of resources, and a \$385,000 decrease from the change in the net pension liability and the related deferred inflows/outflows of resources. These decreases were offset by capital grants totaling \$407,000.

## Business-type Activities

For the Town's business-type activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$13.2 million at the close of 2023.

	2023	2022
<b>Assets:</b>		
Current assets.....	\$ 4,563,968	\$ 4,507,299
Noncurrent assets (excluding capital).....	3,115,536	3,755,450
Capital assets, net of accumulated depreciation.....	9,480,828	9,776,926
<b>Total assets.....</b>	<b>17,160,332</b>	<b>18,039,675</b>
 <b>Deferred outflows of resources.....</b>	<b>133,972</b>	<b>94,173</b>
 <b>Liabilities:</b>		
Current liabilities (excluding debt).....	24,019	45,826
Noncurrent liabilities (excluding debt).....	849,490	604,837
Current debt.....	691,797	716,301
Noncurrent debt.....	2,360,196	3,051,993
<b>Total liabilities.....</b>	<b>3,925,502</b>	<b>4,418,957</b>
 <b>Deferred inflows of resources.....</b>	<b>147,506</b>	<b>166,528</b>
 <b>Net position:</b>		
Net investment in capital assets.....	6,550,875	6,248,375
Unrestricted.....	6,670,421	7,299,988
 <b>Total net position.....</b>	<b>\$ 13,221,296</b>	<b>\$ 13,548,363</b>
 <b>Program Revenues:</b>		
Charges for services.....	\$ 1,835,435	\$ 2,023,953
Operating grants and contributions.....	63,206	45,234
Capital grants and contributions.....	88,005	115,165
<b>Total revenues.....</b>	<b>1,986,646</b>	<b>2,184,352</b>
 <b>Expenses:</b>		
Sewer.....	1,724,689	1,619,218
Solid waste/recycling.....	382,744	370,053
PEG Access.....	206,280	193,233
<b>Total expenses.....</b>	<b>2,313,713</b>	<b>2,182,504</b>
 <b>Change in net position.....</b>	<b>(327,067)</b>	<b>1,848</b>
 <b>Net position, beginning of year.....</b>	<b>13,548,363</b>	<b>13,546,515</b>
 <b>Net position, end of year.....</b>	<b>\$ 13,221,296</b>	<b>\$ 13,548,363</b>

Business-type net position of \$6.6 million (50%) represents the net investment in capital assets while \$6.7 million (50%) is unrestricted. The Town's business-type activities net position decreased by \$327,000 in the current year.

The sewer operations experienced a decrease of \$354,000 which is primarily due to operating expenses exceeding operating revenues by \$523,000. This decrease was offset by an \$81,000 increase from nonoperating revenues/expenses and \$88,000 of capital grants.

The solid waste/recycling operations experienced an increase of \$15,000, which is primarily due to operating revenues exceeding operating expenses by \$13,000 and investment income of \$3,000.

The PEG Access operations experienced an increase of \$11,000, which is primarily due to investment income of \$14,000, which was offset by a \$3,000 decrease from the excess of operating expenses over operating revenues.

### ***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 *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing 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 \$15.9 million. The general fund totaled \$9.5 million of which \$5.3 million relates to stabilization funds that are required to be reported as components of the general fund to comply with GASB 54. The remaining \$6.4 million is for the non-major governmental funds. Cumulatively there was an increase of \$189,000 from the prior year.

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$7.9 million, while total fund balance was \$9.5 million. Fund balance includes \$324,000 that is assigned for encumbrances, \$1.2 million that is assigned for subsequent years' expenditures and \$60,000 is restricted for future debt service. Total fund balance represents 20% of total general fund expenditures.

In 2023, the Town's general fund decreased by \$1.2 million which is primarily due to the use of \$2.2 million of free cash to fund the operating budget. This decrease was offset by an appropriation surplus of \$589,000 and a net increase of \$644,000 in the stabilization funds which are reported as a component of the general fund on the fund based financial statements.

The ARPA fund is used to account for the funds received through the Coronavirus State and Local Fiscal Recovery Fund established under the American Rescue Plan Act (ARPA), and the related expenditures. The Town recognized \$107,000 in revenue and reported the same in corresponding expenditures in the current year. The Town has reported the \$3.4 million received as unearned revenue and will recognize these funds as revenue when the qualifying expenditures are incurred.

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

The original 2023 approved budget for the general fund authorized approximately \$47.2 million in appropriations and other amounts to be raised and includes \$364,000 of carryforwards from the prior year. Changes during the year consisted of supplemental appropriations and allocations between and among departments. Supplemental appropriations totaled \$310,000 and mainly related to public works and transfers to capital projects.

The Town had an appropriation surplus of \$589,000, the majority of which relates to general government, public works, and state and county charges. This was offset by the town collecting \$70,000 less than expected primarily related to real estate tax refunds granted during the year.

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

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

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2023, amounts to \$100.7 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and building improvements, machinery and equipment, and infrastructure. The Town's investment in capital assets decreased by \$3.4 million for the current year due to depreciation expense exceeding current year additions.

The major governmental capital asset additions included road improvements, various building improvements and machinery and equipment. There were no business-type capital asset additions in the current year.

**Debt Administration.** Outstanding long-term debt of the governmental activities totaled \$32.6 million, of which, \$28.1 million is related to school construction projects, \$1.0 million relates to water infrastructure projects, \$156,000 relates to Town building projects, \$124,000 relates to unamortized debt premiums, and \$3.2 million is related to other projects.

The sewer enterprise fund has outstanding long-term debt totaling \$3.1 million, which funded various sewer infrastructure projects.

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

## ***Requests for Information***

This financial report is designed to provide a general overview of the Town of Lunenburg'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 Town Accountant, Town Hall, 17 Main Street, Lunenburg, Massachusetts 01462.

# ***Basic Financial Statements***

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STATEMENT OF NET POSITION

JUNE 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 18,248,091	\$ 3,798,526	\$ 22,046,617
Investments.....	3,524,952	141,830	3,666,782
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	426,193	-	426,193
Tax liens and foreclosures.....	923,183	-	923,183
Motor vehicle and other excise taxes.....	278,359	-	278,359
User charges.....	-	90,947	90,947
Departmental and other.....	205,064	-	205,064
Intergovernmental.....	1,425,414	122,040	1,547,454
Special assessments.....	21,680	410,625	432,305
Total current assets.....	<u>25,052,936</u>	<u>4,563,968</u>	<u>29,616,904</u>
<b>NONCURRENT:</b>			
Special assessments.....	892,532	3,115,536	4,008,068
Capital assets, nondepreciable.....	5,538,640	-	5,538,640
Capital assets, net of accumulated depreciation.....	85,723,879	9,480,828	95,204,707
Total noncurrent assets.....	<u>92,155,051</u>	<u>12,596,364</u>	<u>104,751,415</u>
<b>TOTAL ASSETS.....</b>	<b><u>117,207,987</u></b>	<b><u>17,160,332</u></b>	<b><u>134,368,319</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions.....	2,687,486	57,625	2,745,111
Deferred outflows related to other postemployment benefits.....	10,050,464	76,347	10,126,811
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES.....</b>	<b><u>12,737,950</u></b>	<b><u>133,972</u></b>	<b><u>12,871,922</u></b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	331,814	53	331,867
Accrued payroll.....	1,741,896	4,166	1,746,062
Accrued interest.....	367,050	19,800	386,850
Other liabilities.....	202,682	-	202,682
Unearned revenue.....	3,448,335	-	3,448,335
Landfill closure.....	7,000	-	7,000
Compensated absences.....	84,000	-	84,000
Notes payable.....	304,998	-	304,998
Bonds payable.....	1,638,234	691,797	2,330,031
Total current liabilities.....	<u>8,126,009</u>	<u>715,816</u>	<u>8,841,825</u>
<b>NONCURRENT:</b>			
Landfill closure.....	91,000	-	91,000
Compensated absences.....	74,000	-	74,000
Net pension liability.....	20,913,357	448,421	21,361,778
Net other postemployment benefits.....	52,797,741	401,069	53,198,810
Bonds payable.....	30,996,932	2,360,196	33,357,128
Total noncurrent liabilities.....	<u>104,873,030</u>	<u>3,209,686</u>	<u>108,082,716</u>
<b>TOTAL LIABILITIES.....</b>	<b><u>112,999,039</u></b>	<b><u>3,925,502</u></b>	<b><u>116,924,541</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions.....	1,571,670	33,700	1,605,370
Deferred inflows related to other postemployment benefits.....	14,981,603	113,806	15,095,409
<b>TOTAL DEFERRED INFLOWS OF RESOURCES.....</b>	<b><u>16,553,273</u></b>	<b><u>147,506</u></b>	<b><u>16,700,779</u></b>
<b>NET POSITION</b>			
Net investment in capital assets.....	58,455,662	6,550,875	65,006,537
Restricted for:			
Permanent funds:			
Expendable.....	219,918	-	219,918
Nonexpendable.....	219,285	-	219,285
Gifts and grants.....	1,997,334	-	1,997,334
Unrestricted.....	(60,498,574)	6,670,421	(53,828,153)
<b>TOTAL NET POSITION.....</b>	<b><u>\$ 393,625</u></b>	<b><u>\$ 13,221,296</u></b>	<b><u>\$ 13,614,921</u></b>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2023

Functions/Programs	Program Revenues				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 4,028,023	\$ 380,677	\$ 295,974	\$ 5,787	\$ (3,345,585)
Public safety.....	6,833,537	775,048	55,412	5,858	(5,997,219)
Education.....	38,793,800	769,484	6,278,490	-	(31,745,826)
Public works.....	3,462,277	97,391	299,479	395,056	(2,670,351)
Health and human services.....	615,721	48,910	106,722	-	(460,089)
Culture and recreation.....	865,943	36,890	26,678	-	(802,375)
Interest.....	1,126,713	-	12,054	-	(1,114,659)
Total Governmental Activities.....	<u>55,726,014</u>	<u>2,108,400</u>	<u>7,074,809</u>	<u>406,701</u>	<b><u>(46,136,104)</u></b>
<i>Business-Type Activities:</i>					
Sewer.....	1,724,689	1,236,284	46,884	88,005	(353,516)
Solid waste/Recycling.....	382,744	395,377	2,711	-	15,344
PEG Access.....	206,280	203,774	13,611	-	11,105
Total Business-Type Activities.....	<u>2,313,713</u>	<u>1,835,435</u>	<u>63,206</u>	<u>88,005</u>	<b><u>(327,067)</u></b>
Total Primary Government.....	<u>\$ 58,039,727</u>	<u>\$ 3,943,835</u>	<u>\$ 7,138,015</u>	<u>\$ 494,706</u>	<b><u>\$ (46,463,171)</u></b>

See notes to basic financial statements.

(Continued)

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net position:</b>			
Net (expense) revenue from previous page.....	\$ (46,136,104)	\$ (327,067)	\$ (46,463,171)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	29,238,456	-	29,238,456
Tax and other liens.....	189,626	-	189,626
Motor vehicle and other excise taxes.....	2,124,964	-	2,124,964
Fines and forfeitures.....	13,121	-	13,121
Penalties and interest on taxes.....	139,964	-	139,964
Payments in lieu of taxes.....	1,629	-	1,629
Grants and contributions not restricted to specific programs.....	10,806,093	-	10,806,093
Unrestricted investment income.....	424,886	-	424,886
Miscellaneous.....	351,702	-	351,702
 Total general revenues.....	 43,290,441	 -	 43,290,441
 Change in net position.....	 (2,845,663)	 (327,067)	 (3,172,730)
<i>Net position:</i>			
Beginning of year.....	3,239,288	13,548,363	16,787,651
End of year.....	\$ 393,625	\$ 13,221,296	\$ 13,614,921

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**

JUNE 30, 2023

	General	Chapter 90	ARPA	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents.....	\$ 8,309,916	\$ 21,891	\$ 3,441,631	\$ 6,474,653	\$ 18,248,091
Investments.....	3,092,343	-	-	432,609	3,524,952
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	426,193	-	-	-	426,193
Tax liens and foreclosures.....	923,183	-	-	-	923,183
Motor vehicle and other excise taxes.....	278,359	-	-	-	278,359
Departmental and other.....	205,064	-	-	-	205,064
Intergovernmental.....	-	1,322,379	-	103,035	1,425,414
Special assessments.....	914,128	-	-	84	914,212
<b>TOTAL ASSETS</b> .....	<b>\$ 14,149,186</b>	<b>\$ 1,344,270</b>	<b>\$ 3,441,631</b>	<b>\$ 7,010,381</b>	<b>\$ 25,945,468</b>
<b>LIABILITIES</b>					
Warrants payable.....	\$ 217,835	\$ -	\$ -	\$ 113,979	\$ 331,814
Accrued payroll.....	1,581,402	-	675	159,819	1,741,896
Other liabilities.....	202,682	-	-	-	202,682
Unearned revenue.....	-	-	3,440,956	7,379	3,448,335
Notes payable.....	-	-	-	304,998	304,998
<b>TOTAL LIABILITIES</b> .....	<b>2,001,919</b>	<b>-</b>	<b>3,441,631</b>	<b>586,175</b>	<b>6,029,725</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue.....	2,672,350	1,344,270	-	84	4,016,704
<b>FUND BALANCES</b>					
Nonspendable.....	-	-	-	219,285	219,285
Restricted.....	59,973	-	-	6,679,035	6,739,008
Assigned.....	1,533,722	-	-	-	1,533,722
Unassigned.....	7,881,222	-	-	(474,198)	7,407,024
<b>TOTAL FUND BALANCES</b> .....	<b>9,474,917</b>	<b>-</b>	<b>-</b>	<b>6,424,122</b>	<b>15,899,039</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b> .....	<b>\$ 14,149,186</b>	<b>\$ 1,344,270</b>	<b>\$ 3,441,631</b>	<b>\$ 7,010,381</b>	<b>\$ 25,945,468</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, 2023

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Total governmental fund balances.....	\$ 15,899,039
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	91,262,519
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....	4,016,704
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.....	(3,815,323)
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....	(367,050)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable.....	(32,635,166)
Net pension liability.....	(20,913,357)
Net other postemployment benefits.....	(52,797,741)
Landfill closure.....	(98,000)
Compensated absences.....	<u>(158,000)</u>
Net effect of reporting long-term liabilities.....	<u>(106,602,264)</u>
Net position of governmental activities.....	<u>\$ 393,625</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2023

	General	ARPA	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Real estate and personal property taxes, net of tax refunds.....	\$ 29,168,501	\$ -	\$ -	\$ 29,168,501
Tax liens.....	112,349	-	-	112,349
Motor vehicle and other excise taxes.....	2,236,145	-	-	2,236,145
Charges for services.....	-	-	464,149	464,149
Penalties and interest on taxes.....	139,956	-	8	139,964
Fees and rentals.....	631,679	-	753,867	1,385,546
Payments in lieu of taxes.....	1,629	-	-	1,629
Licenses and permits.....	421,406	-	41,463	462,869
Fines and forfeitures.....	12,021	-	1,055	13,076
Intergovernmental - Teachers Retirement.....	3,297,174	-	-	3,297,174
Intergovernmental.....	11,271,432	56,431	3,516,765	14,844,628
Departmental and other.....	-	-	85,264	85,264
Contributions and donations.....	-	-	132,518	132,518
Investment income.....	358,400	50,100	16,386	424,886
Miscellaneous.....	351,702	-	-	351,702
 TOTAL REVENUES.....	 48,002,394	 106,531	 5,011,475	 53,120,400
 <b>EXPENDITURES:</b>				
Current:				
General government.....	2,692,702	-	919,373	3,612,075
Public safety.....	4,135,941	106,531	485,520	4,727,992
Education.....	23,491,197	-	4,387,458	27,878,655
Public works.....	2,268,953	-	305,764	2,574,717
Health and human services.....	362,842	-	77,347	440,189
Culture and recreation.....	568,294	-	59,574	627,868
Pension benefits.....	1,689,147	-	-	1,689,147
Pension benefits - Teachers Retirement.....	3,297,174	-	-	3,297,174
Property and liability insurance.....	228,797	-	-	228,797
Employee benefits.....	3,122,699	-	-	3,122,699
State and county charges.....	1,075,320	-	-	1,075,320
Debt service:				
Principal.....	2,469,486	-	-	2,469,486
Interest.....	1,187,747	-	-	1,187,747
 TOTAL EXPENDITURES.....	 46,590,299	 106,531	 6,235,036	 52,931,866
 <b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>				
	1,412,095	-	(1,223,561)	188,534
 <b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in.....	42,134	-	2,642,258	2,684,392
Transfers out.....	(2,642,258)	-	(42,134)	(2,684,392)
 TOTAL OTHER FINANCING SOURCES (USES)....	 (2,600,124)	 -	 2,600,124	 -
 NET CHANGE IN FUND BALANCES.....	 (1,188,029)	 -	 1,376,563	 188,534
 FUND BALANCES AT BEGINNING OF YEAR.....	 10,662,946	 -	 5,047,559	 15,710,505
 FUND BALANCES AT END OF YEAR.....	 \$ 9,474,917	 \$ -	 \$ 6,424,122	 \$ 15,899,039

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, 2023

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Net change in fund balances - total governmental funds.....	\$ 188,534
<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.....	1,132,924
Depreciation expense.....	<u>(4,187,573)</u>
<p>Net effect of reporting capital assets.....</p>	
	(3,054,649)
<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>	
	(240,049)
<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>	
Net amortization of premium from issuance of bonds.....	43,945
Net change in deferred charge on refunding.....	(5,929)
Debt service principal payments.....	<u>2,469,486</u>
Net effect of reporting long-term debt.....	2,507,502
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>	
Net change in compensated absences accrual.....	2,000
Net change in accrued interest on long-term debt.....	23,018
Net change in deferred outflow/(inflow) of resources related to pensions.....	3,401,177
Net change in net pension liability.....	(3,785,974)
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits...	394,430
Net change in net other postemployment benefits liability.....	(2,288,652)
Net change in landfill closure.....	<u>7,000</u>
Net effect of recording long-term liabilities.....	<u>(2,247,001)</u>
Change in net position of governmental activities.....	<u>\$ (2,845,663)</u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF NET POSITION

JUNE 30, 2023

	Sewer	Solid Waste/ Recycling	PEG Access	Total
<b>ASSETS</b>				
<b>CURRENT:</b>				
Cash and cash equivalents.....	\$ 2,633,924	\$ 176,626	\$ 987,976	\$ 3,798,526
Investments.....	141,830	-	-	141,830
Receivables, net of allowance for uncollectibles:				
User charges.....	90,947	-	-	90,947
Intergovernmental.....	122,040	-	-	122,040
Special assessments.....	410,625	-	-	410,625
Total current assets.....	<u>3,399,366</u>	<u>176,626</u>	<u>987,976</u>	<u>4,563,968</u>
<b>NONCURRENT:</b>				
Receivables, net of allowance for uncollectibles:				
Special assessments.....	3,115,536	-	-	3,115,536
Capital assets, net of accumulated depreciation.....	9,480,828	-	-	9,480,828
Total noncurrent assets.....	<u>12,596,364</u>	<u>-</u>	<u>-</u>	<u>12,596,364</u>
<b>TOTAL ASSETS</b> .....	<u>15,995,730</u>	<u>176,626</u>	<u>987,976</u>	<u>17,160,332</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions.....	32,369	-	25,256	57,625
Deferred outflows related to other postemployment benefits.....	37,104	-	39,243	76,347
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b> .....	<u>69,473</u>	<u>-</u>	<u>64,499</u>	<u>133,972</u>
<b>LIABILITIES</b>				
<b>CURRENT:</b>				
Warrants payable.....	-	-	53	53
Accrued payroll.....	1,134	-	3,032	4,166
Accrued interest.....	19,800	-	-	19,800
Bonds payable.....	691,797	-	-	691,797
Total current liabilities.....	<u>712,731</u>	<u>-</u>	<u>3,085</u>	<u>715,816</u>
<b>NONCURRENT:</b>				
Net pension liability.....	251,888	-	196,533	448,421
Net other postemployment benefits.....	194,917	-	206,152	401,069
Bonds payable.....	2,360,196	-	-	2,360,196
Total noncurrent liabilities.....	<u>2,807,001</u>	<u>-</u>	<u>402,685</u>	<u>3,209,686</u>
<b>TOTAL LIABILITIES</b> .....	<u>3,519,732</u>	<u>-</u>	<u>405,770</u>	<u>3,925,502</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions.....	18,930	-	14,770	33,700
Deferred inflows related to other postemployment benefits.....	55,309	-	58,497	113,806
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b> .....	<u>74,239</u>	<u>-</u>	<u>73,267</u>	<u>147,506</u>
<b>NET POSITION</b>				
Net investment in capital assets.....	6,550,875	-	-	6,550,875
Unrestricted.....	5,920,357	176,626	573,438	6,670,421
<b>TOTAL NET POSITION</b> .....	<u>\$ 12,471,232</u>	<u>\$ 176,626</u>	<u>\$ 573,438</u>	<u>\$ 13,221,296</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2023

	Sewer	Solid Waste/ Recycling	PEG Access	Total
<b>OPERATING REVENUES:</b>				
Charges for services.....	\$ 1,066,017	\$ 395,377	\$ 203,774	\$ 1,665,168
Connection fee.....	22,850	-	-	22,850
Licenses and permits.....	5,600	-	-	5,600
<b>TOTAL OPERATING REVENUES</b> .....	<b>1,094,467</b>	<b>395,377</b>	<b>203,774</b>	<b>1,693,618</b>
<b>OPERATING EXPENSES:</b>				
Cost of services and administration.....	1,212,243	382,744	121,311	1,716,298
Salaries and wages.....	108,901	-	84,969	193,870
Depreciation.....	296,098	-	-	296,098
<b>TOTAL OPERATING EXPENSES</b> .....	<b>1,617,242</b>	<b>382,744</b>	<b>206,280</b>	<b>2,206,266</b>
<b>OPERATING INCOME (LOSS)</b> .....	<b>(522,775)</b>	<b>12,633</b>	<b>(2,506)</b>	<b>(512,648)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Investment income.....	26,235	2,711	13,611	42,557
Interest expense.....	(107,447)	-	-	(107,447)
Penalties and interest.....	141,817	-	-	141,817
Intergovernmental - subsidy.....	20,649	-	-	20,649
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET</b> .....	<b>81,254</b>	<b>2,711</b>	<b>13,611</b>	<b>97,576</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b> .....				
	(441,521)	15,344	11,105	(415,072)
<b>CAPITAL CONTRIBUTIONS</b> .....	<b>88,005</b>	<b>-</b>	<b>-</b>	<b>88,005</b>
<b>CHANGE IN NET POSITION</b> .....	<b>(353,516)</b>	<b>15,344</b>	<b>11,105</b>	<b>(327,067)</b>
<b>NET POSITION AT BEGINNING OF YEAR</b> .....	<b>12,824,748</b>	<b>161,282</b>	<b>562,333</b>	<b>13,548,363</b>
<b>NET POSITION AT END OF YEAR</b> .....	<b>\$ 12,471,232</b>	<b>\$ 176,626</b>	<b>\$ 573,438</b>	<b>\$ 13,221,296</b>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2023

	Sewer	Solid Waste/ Recycling	PEG Access	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers and users.....	\$ 1,217,878	\$ 395,377	\$ 203,774	\$ 1,817,029
Payments to vendors.....	(1,085,767)	(382,744)	(81,724)	(1,550,235)
Payments to employees.....	(109,405)	-	(83,907)	(193,312)
NET CASH FROM OPERATING ACTIVITIES.....	<u>22,706</u>	<u>12,633</u>	<u>38,143</u>	<u>73,482</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Capital contributions.....	452,185	-	-	452,185
Principal payments on bonds and notes.....	(598,598)	-	-	(598,598)
Interest expense.....	(89,394)	-	-	(89,394)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	<u>(235,807)</u>	<u>-</u>	<u>-</u>	<u>(235,807)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of investments.....	(26,705)	-	-	(26,705)
Investment income.....	26,235	2,711	13,611	42,557
NET CASH FROM INVESTING ACTIVITIES.....	<u>(470)</u>	<u>2,711</u>	<u>13,611</u>	<u>15,852</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	<u>(213,571)</u>	<u>15,344</u>	<u>51,754</u>	<u>(146,473)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	<u>2,847,495</u>	<u>161,282</u>	<u>936,222</u>	<u>3,944,999</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	<u>\$ 2,633,924</u>	<u>\$ 176,626</u>	<u>\$ 987,976</u>	<u>\$ 3,798,526</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</b>				
<b>FROM OPERATING ACTIVITIES:</b>				
Operating income (loss).....	\$ (522,775)	\$ 12,633	\$ (2,506)	\$ (512,648)
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation.....	296,098	-	-	296,098
Penalties and interest.....	141,817	-	-	141,817
Deferred (outflows)/inflows related to pensions.....	(34,263)	-	(30,567)	(64,830)
Deferred (outflows)/inflows related to other postemployment benefits.....	5,919	-	90	6,009
Changes in assets and liabilities:				
User charges.....	(18,406)	-	-	(18,406)
Warrants payable.....	(19,398)	-	(371)	(19,769)
Accrued payroll.....	(504)	-	1,062	558
Net pension liability.....	95,821	-	46,037	141,858
Net other postemployment benefits.....	78,397	-	24,398	102,795
Total adjustments.....	<u>545,481</u>	<u>-</u>	<u>40,649</u>	<u>586,130</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>\$ 22,706</u>	<u>\$ 12,633</u>	<u>\$ 38,143</u>	<u>\$ 73,482</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>				
Intergovernmental subsidy of debt service.....	\$ 138,352	\$ -	\$ -	\$ 138,352

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET POSITION**

JUNE 30, 2023

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	Other Postemployment Benefit Trust Fund	Private Purpose Trust Fund
<b>ASSETS</b>		
Cash and cash equivalents.....	\$ 7,989	\$ 4,832
Investments:		
U.S. treasuries.....	-	138,442
Government sponsored enterprises.....	-	24,230
Corporate bonds.....	-	232,508
Equity securities.....	-	58,616
Equity mutual funds.....	648,910	-
Bond mutual funds.....	<u>322,629</u>	<u>3,874</u>
 TOTAL ASSETS.....	 <u>979,528</u>	 <u>462,502</u>
 <b>NET POSITION</b>		
Restricted for other postemployment benefits.....	979,528	-
Held in trust for other purposes.....	<u>-</u>	<u>462,502</u>
 TOTAL NET POSITION.....	 <u>979,528</u>	 <u>462,502</u>

See notes to basic financial statements.

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

**YEAR ENDED JUNE 30, 2023**

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Fund
<b>ADDITIONS:</b>		
Contributions:		
Employer contributions.....	\$ 267,352	\$ -
Employer contributions for other postemployment benefit payments....	1,882,936	-
Total contributions.....	<u>2,150,288</u>	-
Net investment income:		
Investment income.....	<u>59,442</u>	<u>9,192</u>
<b>TOTAL ADDITIONS.....</b>	<b><u>2,209,730</u></b>	<b><u>9,192</u></b>
<b>DEDUCTIONS:</b>		
Other postemployment benefit payments.....	1,882,936	-
Educational scholarships.....	-	4,725
<b>TOTAL DEDUCTIONS.....</b>	<b><u>1,882,936</u></b>	<b><u>4,725</u></b>
<b>NET INCREASE (DECREASE) IN NET POSITION.....</b>	<b><u>326,794</u></b>	<b><u>4,467</u></b>
<b>NET POSITION AT BEGINNING OF YEAR.....</b>	<b><u>652,734</u></b>	<b><u>458,035</u></b>
<b>NET POSITION AT END OF YEAR.....</b>	<b><u>\$ 979,528</u></b>	<b><u>\$ 462,502</u></b>

See notes to basic financial statements.

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

The accompanying basic financial statements of the Town of Lunenburg, 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 is a municipal corporation that is governed by an elected Select Board (Board).

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

**Joint Ventures**

A joint venture is an organization (resulting from a contractual arrangement) that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture.

The Town is a member of the Montachusett Regional Vocational Technical School that serves the members' students seeking an education in academic and technical studies. The members' share in the operations of the Montachusett Regional Vocational Technical School and each member is responsible for its proportionate share of the operational and capital cost of the Montachusett Regional Vocational Technical School, which are paid in the form of assessments. The Town does not have an equity interest in the Montachusett Regional Vocational Technical School and the 2023 assessment was \$1,054,736. Stand-alone financial statements for the year ended June 30, 2023, are available at Montachusett Regional Vocational Technical School, 1050 Westminster Street, Fitchburg, MA 01420.

The Town is a member of the Nashoba Valley Regional Dispatch District (District) that provides public safety field personnel with professional communications services in addition to dispatching police, fire and emergency medical services. The Town does not have an equity interest in the Nashoba Valley Regional Dispatch District and the 2023 assessment was \$204,606. Financial information for the District can be obtained by contacting the District at 270 Barnum Road, Devens, MA 01434.

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

The government-wide financial statements (i.e., statement of net position and the statement of changes in net position) 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. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

#### *Fund Financial Statements*

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

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

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

The following major governmental funds are reported:

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

The *Chapter 90 fund* is a special revenue fund used to account for costs incurred with the construction and reconstruction of Town owned roadways. Costs charged to the fund are subject to reimbursement by the Commonwealth of Massachusetts.

The *ARPA fund* is used to account for the funds received through the Coronavirus State and Local Fiscal Recovery Fund established under the American Rescue Plan Act (ARPA), and the related expenditures.

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

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

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

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

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

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

The following major proprietary funds are reported:

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

The *solid waste/recycling enterprise fund* is used to account for the solid waste/recycling activities.

The *PEG Access enterprise fund* is used to account for the Town's cable television 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 *other postemployment benefit trust fund* is used to accumulate resources to provide funding for future other postemployment benefits (OPEB) liabilities.

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

#### D. Cash and Investments

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

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

#### E. Fair Value Measurements

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

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

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

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

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

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

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

#### F. Accounts Receivable

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

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

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

Real estate and personal property taxes are levied and based on values assessed on January 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 uncollectibles is not reported.

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

***Motor Vehicle Excise***

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

***User Fees***

User fees consist of sewer fees and solid waste/recycling fees which are levied quarterly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Liens are processed in December of every year and included as a lien on the property owner's tax bill. User fees and liens are recorded as receivables in the year of the levy. Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

***Special Assessments***

Special assessments represent costs incurred on completed special projects that have been assessed to the benefited taxpayers and which have not yet been paid. Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

***Departmental and Other***

Departmental and other receivables consist solely of ambulance receivables. The ambulance receivables are considered 100% collectible because uncollectible accounts are written-off on a monthly basis.

***Intergovernmental***

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

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

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

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

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

Capital assets, which include land, buildings, machinery and equipment, and infrastructure (e.g., roads, sewer mains and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements and in the proprietary fund financial statements. Capital assets are

recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets; donated works of art, historical treasures and similar assets; and capital assets received in service concession arrangements are recorded at acquisition value.

All purchases and construction costs in excess of \$25,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

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

Capital Asset Type	Estimated Useful Life (in years)
Buildings and building improvements.....	20 - 40
Machinery and equipment.....	5 - 15
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 assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Town has reported deferred outflows of resources related to pensions and deferred outflows of resources related to other postemployment benefits 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 assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town has reported deferred inflows of resources related to pensions and deferred inflows of resources related to other postemployment benefits 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 reported unavailable revenues as deferred inflows of resources at year-end.

**J. Interfund Receivables and Payables**

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

***Government-Wide Financial Statements***

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

***Fund Financial Statements***

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

**K. Interfund Transfers**

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

***Government-Wide Financial Statements***

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

***Fund Financial Statements***

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

**L. Net Position and Fund Equity*****Government-Wide Financial Statements (Net Position)***

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 – nonexpendable" represents the endowment portion of donor restricted trusts that support governmental programs.

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

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

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

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

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

The governmental fund balance classifications are as follows:

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

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

"Committed" fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Town Meeting is the highest level of decision-making authority for the government that can, by adoption of an article prior to the end of the year, commit fund balance. Once adopted, the limitation imposed by the article remains in place until a similar action is taken to remove or revise the limitation.

"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. Town Meeting may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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

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

#### 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 both the Worcester Regional Retirement System and the Massachusetts Teachers' Retirement System and additions to/deductions from the Systems' fiduciary net position have been determined on the same basis as they are reported by the Systems. 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

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

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. 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.

**S. Fund Deficits**

Individual fund deficits exist as of June 30, 2023 within the capital projects fund. These deficits will be funded with bond proceeds and or available funds in subsequent years.

**NOTE 2 - CASH AND INVESTMENTS**

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

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

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

**Custodial Credit Risk – Deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town's policy allows unlimited deposits in bank accounts or CD's (up to one year maturity) which are fully collateralized through a third-party agreement. The policy allows deposits in bank accounts or CD's (up to one year maturity) up to Federal Depository Insurance or other depository insurance limits. For unsecured bank accounts and CD's, the Town's policy allows deposits if the bank has received the highest bank rating as determined by a recognized bank rating firm. These deposits will be limited to no more than 5% of the institution's assets and no more than 25% of the Town's cash. The Town's policy also allows unlimited investments in money market funds, which are allowed by statute and are considered to be liquid funds.

At year-end, the carrying amount of deposits totaled \$21,767,410 and the bank balance totaled \$24,775,958. Of the bank balance, \$3,035,616 was covered by Federal Depository Insurance, \$20,368,581 was covered by the Depositor's Insurance Fund and \$1,371,761 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

As of June 30, 2023, the Town had the following investments and maturities.

Investment Type	Fair value	Maturities		
		Under 1 Year	1-5 Years	6-10 Years
<u>Debt securities:</u>				
U.S. treasury securities.....	\$ 1,220,144	\$ 95,003	\$ 1,125,141	\$ -
Government sponsored enterprises.....	213,540	-	213,540	-
Corporate bonds.....	2,049,205	675,015	1,165,456	208,734
Bond mutual funds.....	356,782	-	356,782	-
Total debt securities.....	3,839,671	\$ 770,018	\$ 2,860,919	\$ 208,734
<u>Other investments:</u>				
Equity securities.....	516,616			
Equity mutual funds.....	739,704			
Money market mutual funds.....	51,055			
MMDT - Cash portfolio.....	240,973			
Total investments.....	\$ 5,388,019			

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. Of the investments of \$1,220,144 in U.S Treasury securities, \$213,540 in government sponsored enterprises, \$2,049,205 in corporate bonds, and \$516,616 in equity securities, the Town has custodial credit risk exposure of \$3,999,505 because the related securities are uninsured, unregistered and held by the counterparty. The Town's policy is to review the financial institution's financial statements and the background of the Advisor to limit the Town's exposure to only those institutions with a proven financial strength, capital adequacy of the firm, and overall affirmative reputation in the municipal industry. For all securities not held directly by the Town, the securities will be held in the Town's name and tax identification number by a third-party custodian approved by the Treasurer and evidenced by safekeeping receipts showing individual CUSIP numbers for each security.

Interest Rate Risk

The Town's investment policy limits investment maturities to one year, except for the trust funds which are not limited, as a means of managing its exposure to fair value losses arising from increasing interest rates.

The Town participates in MMDT, which maintains a cash portfolio with average maturities of approximately 33 days.

Credit Risk

The Town's investment policy limits investments in debt securities to United States Treasuries and Agency obligations in unlimited amounts (up to one year maturity). The Town may invest in MMDT with no limit to the amount of funds invested. Trust funds may be invested in United States Treasuries and Agency obligations in unlimited amounts (with no limit to the length of maturity from the date of purchase). The trust funds may also be invested in any instruments allowed by the Legal List issued by the Massachusetts Banking Commissioner each July.

Standard and Poor's Investors Service rated \$1,433,684 of U.S. Treasury securities and government sponsored enterprise securities AA+, \$183,584 of corporate bonds were rated AAA, \$346,439 were rated A+, \$171,891 were rated A, \$483,560 were rated A-, \$306,116 were rated BBB+ and \$557,615 were rated BBB. The Town's investments in money market mutual funds, bond mutual funds and MMDT are unrated.

### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town will minimize the concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. As of June 30, 2023, the Town did not have investments in any single issuer that exceeded 5% of the Town's total investments.

### Fair Value Measurement

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

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

The Town has the following recurring fair value measurements as of June 30, 2023:

Investment Type	June 30, 2023	Fair Value Measurements Using				
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
<b>Investments measured at fair value:</b>						
<b>Debt securities:</b>						
U.S. treasury securities.....	\$ 1,220,144	\$ 1,220,144	\$ -	\$ -		
Government sponsored enterprises.....	213,540	213,540	-	-		
Corporate bonds.....	2,049,205	-	2,049,205	-		
Bond mutual funds.....	356,782	356,782	-	-		
<b>Total debt securities.....</b>	<b>3,839,671</b>	<b>1,790,466</b>	<b>2,049,205</b>	<b>-</b>		
<b>Other investments:</b>						
Equity securities.....	516,616	516,616	-	-		
Equity mutual funds.....	739,704	739,704	-	-		
Money market mutual funds.....	51,055	51,055	-	-		
<b>Total other investments.....</b>	<b>1,307,375</b>	<b>1,307,375</b>	<b>-</b>	<b>-</b>		
<b>Total investments measured at fair value.....</b>	<b>5,147,046</b>	<b>\$ 3,097,841</b>	<b>\$ 2,049,205</b>	<b>\$ -</b>		
<b>Investments measured at amortized cost:</b>						
MMDT - Cash portfolio.....	240,973					
<b>Total investments.....</b>	<b>\$ 5,388,019</b>					

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

MMDT investments are valued at amortized cost. Under the amortized cost method, an investment is valued initially at its cost and adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost and the amount payable at its maturity. If amortized cost is determined not to approximate fair value, the value of the portfolio securities will be determined under procedures established by the Advisor.

### NOTE 3 - RECEIVABLES

At June 30, 2023, receivables for the individual major and non-major governmental funds including the applicable allowances for uncollectible accounts are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<b>Receivables:</b>			
Real estate and personal property taxes.....	\$ 470,795	\$ (44,602)	\$ 426,193
Tax liens and foreclosures.....	923,183	-	923,183
Motor vehicle and other excise taxes.....	343,202	(64,843)	278,359
Departmental and other.....	298,639	(93,575)	205,064
Intergovernmental.....	1,425,414	-	1,425,414
Special assessments.....	914,212	-	914,212
<b>Total.....</b>	<b>\$ 4,375,445</b>	<b>\$ (203,020)</b>	<b>\$ 4,172,425</b>

At June 30, 2023, receivables for the enterprise funds are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<b>Receivables:</b>			
Sewer user charges.....	\$ 90,947	\$ -	\$ 90,947
Sewer intergovernmental - subsidy.....	122,040	-	122,040
Sewer special assessments.....	3,526,161	-	3,526,161
<b>Total.....</b>	<b>\$ 3,739,148</b>	<b>\$ -</b>	<b>\$ 3,739,148</b>

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

	General Fund	Other Governmental Funds	Total
<b>Receivables:</b>			
Real estate and personal property taxes.....	\$ 351,616	\$ -	\$ 351,616
Tax liens and foreclosures.....	923,183	-	923,183
Motor vehicle and other excise taxes.....	278,359	-	278,359
Departmental and other.....	205,064	-	205,064
Intergovernmental.....	-	1,344,270	1,344,270
Special assessments.....	914,128	84	914,212
<b>Total.....</b>	<b>\$ 2,672,350</b>	<b>\$ 1,344,354</b>	<b>\$ 4,016,704</b>

#### NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 5,443,189	\$ -	\$ -	\$ 5,443,189
Construction in progress.....	-	95,451	-	95,451
<b>Total capital assets not being depreciated....</b>	<b>5,443,189</b>	<b>95,451</b>	<b>-</b>	<b>5,538,640</b>
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	98,002,969	31,535	-	98,034,504
Machinery and equipment.....	9,757,043	395,751	-	10,152,794
Infrastructure.....	33,799,400	610,187	(133,749)	34,275,838
<b>Total capital assets being depreciated.....</b>	<b>141,559,412</b>	<b>1,037,473</b>	<b>(133,749)</b>	<b>142,463,136</b>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(24,884,760)	(2,480,388)	-	(27,365,148)
Machinery and equipment.....	(7,056,772)	(512,157)	-	(7,568,929)
Infrastructure.....	(20,743,901)	(1,195,028)	133,749	(21,805,180)
<b>Total accumulated depreciation.....</b>	<b>(52,685,433)</b>	<b>(4,187,573)</b>	<b>133,749</b>	<b>(56,739,257)</b>
<b>Total capital assets being depreciated, net.....</b>	<b>88,873,979</b>	<b>(3,150,100)</b>	<b>-</b>	<b>85,723,879</b>
<b>Total governmental activities capital assets, net.....</b>	<b>\$ 94,317,168</b>	<b>\$ (3,054,649)</b>	<b>\$ -</b>	<b>\$ 91,262,519</b>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Sewer:</b>				
<u>Capital assets being depreciated:</u>				
Infrastructure.....	\$ 14,804,845	\$ -	\$ -	\$ 14,804,845
<u>Less accumulated depreciation for:</u>				
Infrastructure.....	(5,027,919)	(296,098)	-	(5,324,017)
Total sewer activities capital assets, net.....	\$ 9,776,926	\$ (296,098)	\$ -	\$ 9,480,828

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

**Governmental Activities:**

General government.....	\$ 61,535
Public safety.....	511,201
Education.....	2,178,357
Public works.....	1,302,473
Culture and recreation.....	134,007
 Total depreciation expense - governmental activities.....	 \$ 4,187,573

**Business-Type Activities:**

Sewer.....	\$ 296,098
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**NOTE 5 - INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2023, are summarized as follows:

Transfers Out:	Transfers In:		
	General fund	Nonmajor governmental funds	Total
General fund.....	\$ -	\$ 2,642,258	\$ 2,642,258 (1)
Nonmajor governmental funds.....	42,134	-	42,134 (2)
 Total.....	 \$ 42,134	 \$ 2,642,258	 \$ 2,684,392

(1) Represents a budgeted transfer to fund the 2023 capital plan, and other nonmajor capital project funds.

(2) Represents a budgeted transfer from other available funds to the general fund.

**NOTE 6 - SHORT-TERM FINANCING**

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

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

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

Details related to the short-term debt activity for the year ended June 30, 2023, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2022	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2023
<b>Governmental Funds:</b>							
BAN	Municipal Purpose....	0.40	10/13/22	\$ 457,497	\$ -	\$ (457,497)	\$ -
BAN	Municipal Purpose....	3.75	10/12/23	\$ -	\$ 304,998	\$ -	\$ 304,998
	Total Governmental Funds.....			\$ 457,497	\$ 304,998	\$ (457,497)	\$ 304,998

The Town paid down \$152,499 of the \$304,998 BAN at maturity. The remaining balance of \$152,499 was rolled forward with a maturity date of October 1, 2024, and an interest rate of 4.89 percent per annum.

**NOTE 7 - LONG-TERM DEBT**

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

Details related to the outstanding indebtedness at June 30, 2023, and the debt service requirements are as follows:

### Bonds Payable Schedule – Governmental Activities

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2023
Municipal Purpose Bonds of 2007.....	2025	\$ 2,505,000	3.94	\$ 10,000
Municipal Purpose Bonds of 2015.....	2045	30,005,000	3.00 - 4.00	24,140,000
Municipal Purpose Bonds of 2016.....	2045	4,020,000	2.00 - 4.00	3,335,000
Municipal Purpose Refunding Bonds of 2016.....	2025	1,431,800	2.00 - 3.00	231,800
Municipal Purpose Bonds of 2017.....	2032	2,435,000	2.00 - 3.00	1,475,000
Water Refunding Bonds of 2018.....	2047	1,020,000	3.00 - 5.00	915,000
Municipal Purpose Bonds of 2018.....	2032	1,150,000	3.00 - 5.00	870,000
Municipal Purpose Bonds of 2020.....	2035	1,695,000	2.00 - 5.00	<u>1,420,000</u>
Sub-Total General Obligation.....				32,396,800
Massachusetts Clean Water Trust - Water Bond of 2009.....	2029	335,000	2.00	114,507
Add: Unamortized premium on bonds.....				<u>123,859</u>
Total Bonds Payable, net.....				<u>\$ 32,635,166</u>

Debt service requirements for principal and interest for Governmental bonds payable in future years are as follows:

Year	General Obligation Bonds			Direct Borrowings			Grand Total
	Principal	Interest	Total	Principal	Interest	Total	
2024.....\$	1,596,800	\$ 1,097,884	\$ 2,694,684	18,143	\$ 2,109	\$ 20,252	\$ 2,714,936
2025.....	1,420,000	1,032,766	2,452,766	18,510	1,742	20,252	2,473,018
2026.....	1,365,000	977,165	2,342,165	18,884	1,368	20,252	2,362,417
2027.....	1,410,000	924,640	2,334,640	19,265	987	20,252	2,354,892
2028.....	1,430,000	871,591	2,301,591	19,654	598	20,252	2,321,843
2029.....	1,460,000	821,089	2,281,089	20,051	201	20,252	2,301,341
2030.....	1,405,000	769,640	2,174,640	-	-	-	2,174,640
2031.....	1,435,000	727,361	2,162,361	-	-	-	2,162,361
2032.....	1,450,000	684,960	2,134,960	-	-	-	2,134,960
2033.....	1,355,000	642,089	1,997,089	-	-	-	1,997,089
2034.....	1,390,000	601,848	1,991,848	-	-	-	1,991,848
2035.....	1,435,000	560,176	1,995,176	-	-	-	1,995,176
2036.....	1,340,000	514,596	1,854,596	-	-	-	1,854,596
2037.....	1,390,000	470,568	1,860,568	-	-	-	1,860,568
2038.....	1,430,000	425,113	1,855,113	-	-	-	1,855,113
2039.....	1,475,000	378,349	1,853,349	-	-	-	1,853,349
2040.....	1,530,000	330,055	1,860,055	-	-	-	1,860,055
2041.....	1,580,000	278,132	1,858,132	-	-	-	1,858,132
2042.....	1,635,000	224,507	1,859,507	-	-	-	1,859,507
2043.....	1,685,000	169,018	1,854,018	-	-	-	1,854,018
2044.....	1,745,000	110,492	1,855,492	-	-	-	1,855,492
2045.....	1,325,000	49,815	1,374,815	-	-	-	1,374,815
2046.....	55,000	3,850	58,850	-	-	-	58,850
2047.....	55,000	1,919	56,919	-	-	-	56,919
Total.....\$	<u>32,396,800</u>	<u>\$ 12,667,623</u>	<u>\$ 45,064,423</u>	<u>114,507</u>	<u>\$ 7,005</u>	<u>\$ 121,512</u>	<u>\$ 45,185,935</u>

**Bonds Payable Schedule – Sewer Enterprise Fund**

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2023
Sewer Bonds of 2007.....	2025	\$ 2,505,000	3.94	\$ 230,000
Sewer Refunding Bond of 2016.....	2025	158,200	2.00-3.00	23,200
Sewer Bonds of 2017.....	2032	145,000	2.00-3.00	90,000
Sewer Refunding Bond of 2018.....	2047	1,515,000	3.00-5.00	<u>1,365,000</u>
Sub-Total General Obligation.....				<u>1,708,200</u>
MCWT Sewer of 2004.....	2024	6,856,402	0.00	418,704
MCWT Sewer of 2008.....	2028	769,246	0.00	95,435
MCWT Sewer of 2016.....	2036	1,216,325	2.00	<u>829,654</u>
Sub-Total Direct Borrowings.....				<u>1,343,793</u>
Total Bonds Payable.....				<u>\$ 3,051,993</u>

Debt service requirements for principal and interest for Sewer Enterprise fund bonds and notes payable in future years are as follows:

Year	General Obligation Bonds			Direct Borrowings			Grand Total
	Principal	Interest	Total	Principal	Interest	Total	
2024.....\$	178,200	\$ 60,793	\$ 238,993	513,597	\$ 16,594	\$ 530,191	\$ 769,184
2025.....	170,000	53,715	223,715	71,244	15,474	86,718	310,433
2026.....	50,000	46,975	96,975	72,485	14,332	86,817	183,792
2027.....	50,000	44,675	94,675	73,754	13,164	86,918	181,593
2028.....	55,000	42,775	97,775	75,050	11,972	87,022	184,797
2029.....	55,000	40,675	95,675	62,260	10,754	73,014	168,689
2030.....	55,000	38,575	93,575	63,613	9,508	73,121	166,696
2031.....	60,000	36,475	96,475	64,996	8,236	73,232	169,707
2032.....	60,000	34,675	94,675	66,409	6,936	73,345	168,020
2033.....	50,000	32,875	82,875	67,852	5,608	73,460	156,335
2034.....	55,000	31,250	86,250	69,327	4,250	73,577	159,827
2035.....	55,000	29,463	84,463	70,834	2,864	73,698	158,161
2036.....	55,000	27,675	82,675	72,372	1,448	73,820	156,495
2037.....	60,000	25,888	85,888	-	-	-	85,888
2038.....	60,000	23,938	83,938	-	-	-	83,938
2039.....	60,000	21,988	81,988	-	-	-	81,988
2040.....	65,000	19,963	84,963	-	-	-	84,963
2041.....	65,000	17,769	82,769	-	-	-	82,769
2042.....	70,000	15,575	85,575	-	-	-	85,575
2043.....	70,000	13,213	83,213	-	-	-	83,213
2044.....	75,000	10,850	85,850	-	-	-	85,850
2045.....	75,000	8,225	83,225	-	-	-	83,225
2046.....	80,000	5,600	85,600	-	-	-	85,600
2047.....	80,000	2,797	82,797	-	-	-	82,797
Total.....\$	<u>1,708,200</u>	<u>\$ 686,402</u>	<u>\$ 2,394,602</u>	<u>\$ 1,343,793</u>	<u>\$ 121,140</u>	<u>\$ 1,464,933</u>	<u>\$ 3,859,535</u>

The Sewer Enterprise Fund is scheduled to be subsidized by the MCWT on a periodic basis for principal in the amount of \$122,040. Thus, net MCWT loan repayments, including interest, are scheduled to be \$296,664. The principal subsidies are guaranteed and therefore a \$122,040 intergovernmental receivable has been reported in the proprietary fund financial statements. Since the Town is legally obligated for the total amount of the debt, such amounts have been recorded in the accompanying basic financial statements. The 2023 principal and interest subsidies totaled \$117,703 and \$20,649, respectively.

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, 2023, the Town did not have any authorized and unissued debt.

#### Changes in Long-term Liabilities

During the year ended June 30, 2023, the following changes occurred in long-term liabilities:

	Beginning Balance	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>							
Long-term bonds payable.....	\$ 34,848,502	\$ -	\$ (2,451,702)	\$ -	\$ -	\$ 32,396,800	\$ 1,596,800
Long-term direct borrowing bonds payable...	132,291	-	(17,784)	-	-	114,507	18,143
Add: Unamortized premium on bonds.....	167,804	-	-	-	(43,945)	123,859	23,291
Total bonds payable.....	35,148,597	-	(2,469,486)	-	(43,945)	32,635,166	1,638,234
Landfill closure.....	105,000	-	-	-	(7,000)	98,000	7,000
Compensated absences.....	160,000	-	-	82,000	(84,000)	158,000	84,000
Net pension liability.....	17,127,383	-	-	5,439,662	(1,653,688)	20,913,357	-
Net other postemployment benefits liability..	50,509,089	-	-	7,265,814	(4,977,162)	52,797,741	-
 Total governmental activity							
long-term liabilities.....	\$ 103,050,069	\$ -	\$ (2,469,486)	\$ 12,787,476	\$ (6,765,795)	\$ 106,602,264	\$ 1,729,234
<b>Business-Type Activities:</b>							
Long-term bonds payable.....	\$ 1,921,502	\$ -	\$ (213,302)	\$ -	\$ -	\$ 1,708,200	\$ 691,797
Long-term direct borrowing bonds payable...	1,846,792	-	(502,999)	-	-	1,343,793	-
Total bonds payable.....	3,768,294	-	(716,301)	-	-	3,051,993	691,797
Net pension liability.....	306,563	-	-	177,321	(35,463)	448,421	-
Net other postemployment benefits liability..	298,274	-	-	140,604	(37,809)	401,069	-
 Total business-type activity							
long-term liabilities.....	\$ 4,373,131	\$ -	\$ (716,301)	\$ 317,925	\$ (73,272)	\$ 3,901,483	\$ 691,797

The governmental activities long-term liabilities are generally liquidated by the general fund and the business-type activities long-term liabilities are generally liquidated by the applicable enterprise fund.

#### **NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

The Town classifies fund balance according to constraints imposed on the uses of those resources.

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

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

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision-making authority.
- 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 governmental fund balances with the following hierarchy:

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>Fund Balances:</b>			
Nonspendable:			
Permanent fund principal.....	\$ -	\$ 219,285	\$ 219,285
Restricted for:			
MSBA debt.....	59,952	-	59,952
Debt service.....	21	-	21
Sale of lots and graves.....	-	87,153	87,153
Town revolving funds.....	-	239,734	239,734
Town gift and grant funds.....	-	771,787	771,787
School lunch.....	-	347,543	347,543
School revolving funds.....	-	151,488	151,488
School gift and grant funds.....	-	1,225,547	1,225,547
Town capital projects.....	-	1,777,591	1,777,591
FY23 capital plan.....	-	1,858,274	1,858,274
Other permanent funds.....	-	219,918	219,918
Committed to:			
Articles and continuing appropriations:			
Assigned to:			
General government.....	88,632	-	88,632
Public safety.....	45,829	-	45,829
Education.....	75,037	-	75,037
Public works.....	80,738	-	80,738
Health and human services.....	1,245	-	1,245
Culture and recreation.....	28,407	-	28,407
Employee benefits.....	3,970	-	3,970
Free cash used for subsequent years' expenditures.	1,209,864	-	1,209,864
Unassigned.....	<u>7,881,222</u>	<u>(474,198)</u>	<u>7,407,024</u>
<b>Total Fund Balances.....</b>	<b>\$ 9,474,917</b>	<b>\$ 6,424,122</b>	<b>\$ 15,899,039</b>

Massachusetts General Law Ch.40 §5B allows for the establishment of Stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body. At year-end, the balances of the general, zoning, vehicle and equipment and health insurance stabilization funds totaled \$2,724,835, \$235,681, \$1,936,144 and \$380,663, respectively and are reported as unassigned fund balance within the general fund. GASB 54 requires

the stabilization funds to be reported as a component of the general fund on the fund based statements and accordingly, any interfund transfers are eliminated.

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

#### **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 also administers premium-based health, workers' compensation and other insurance plans for its employees. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three years.

#### **NOTE 10 - PENSION PLAN**

*Plan Descriptions* – The Town is a member of the Worcester Regional Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 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 Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <https://mtrs.state.ma.us/service/financial-reports/>.

*Special Funding Situation* – The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2022. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$3,297,174 is reported in the general fund as intergovernmental revenue and pension expense in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$40,082,465 as of the measurement date.

*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. There were no changes in benefit terms that affected the measurement of the total pension liability at December 31, 2022.

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

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

**Contributions** – Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the System a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The Town's proportionate share of the required contribution equaled its actual contribution for the year ended December 31, 2022, which was \$1,689,147 and 21.09% 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, 2023, the Town reported a liability of \$21,361,778 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. 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, 2022, the Town's proportion was 2.08%, which increased from its 2.08% proportion measured at December 31, 2021.

**Pension Expense** – For the year ended June 30, 2023, the Town recognized pension expense of \$2,150,970. At June 30, 2023, the Town reported deferred outflows of resources related to pensions of \$2,745,111, and also reported deferred inflows of resources related to pensions of \$1,605,370. The balances of deferred outflows and inflows at June 30, 2023 consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ -	\$ (653,725)	\$ (653,725)
Difference between projected and actual earnings, net.....	1,441,606	-	1,441,606
Changes in assumptions.....	1,132,015	-	1,132,015
Changes in proportion and proportionate share of contributions...	171,490	(951,645)	(780,155)
 Total deferred outflows/(inflows) of resources.....	 \$ 2,745,111	 \$ (1,605,370)	 \$ 1,139,741

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

<u>Year ended June 30:</u>	
2024.....	\$ 10,021
2025.....	262,893
2026.....	347,292
2027.....	722,487
2028.....	(202,952)
 Total.....	 <u>\$ 1,139,741</u>

*Actuarial Assumptions* – The total pension liability was determined by an actuarial valuation as of January 1, 2022, using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2022:

Valuation date.....	January 1, 2022
Actuarial cost method.....	Individual Entry Age Normal Cost Method.
Amortization method.....	Payment increases 4.0% per year.
Asset valuation method.....	Fair value for GASB 67 and 68. 5-year smoothed fair value for funding.
Inflation rate.....	2.40% per year.
Projected salary increases.....	Group 1: 4.25-6.00%, based on service; Group 4: 4.75-7.00%, based on service.
Investment rate of return/Discount rate.....	7.25% per year, net of pension plan investment expense, including inflation.
 Mortality rates:	
Pre-retirement.....	Based on the RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2020.
Disabled retiree.....	Based on the RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2020.

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

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity.....	37.00%	4.74%
Core Fixed income.....	15.00%	2.10%
Value-Added Fixed income.....	8.00%	5.20%
Private equity.....	16.00%	7.60%
Real estate.....	10.00%	3.10%
Timber/Natural resources.....	4.00%	4.40%
Portfolio completion strategies.....	10.00%	3.90%
 Total.....	 100.00%	

*Rate of return* – For the year ended December 31, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -11.68%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Discount rate* – The discount rate used to measure the total pension liability was 7.25% as of December 31, 2022, the same as of December 31, 2021. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.25%)	Current Discount (7.25%)	1% Increase (8.25%)
The Town's proportionate share of the net pension liability.....	\$ 26,067,121	\$ 21,361,778	\$ 17,383,705

*Changes of assumptions* – None.

*Changes in plan provisions* – None.

## NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

*Plan Description* – The Town of Lunenburg administers a single-employer defined benefit healthcare plan (Plan). The plan provides lifetime healthcare and life insurance for eligible retirees and their spouses through the Town's group health and life insurance plans, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between

the Town and the unions representing Town employees and are renegotiated each bargaining period. The Plan does not issue a publicly available financial report.

**Summary of Significant Accounting Policies** – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts (repurchase agreements) that have a maturity at the time of purchase of one year or less, which are reported at cost.

**Funding Policy** – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. Retirees enrolled in the Medex 3 plan pay 50% of the stated monthly premiums. All other retirees pay 25% of the stated monthly premiums for medical insurance. Retirees enrolled in the life insurance program pay 50% of the life insurance premiums. For 2023, the Town contributed \$2,150,288 to the plan. The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish the other postemployment benefit trust fund to begin pre-funding its OPEB liabilities. During 2023, the Town pre-funded future OPEB liabilities totaling \$267,352 by contributing funds to the OPEB trust fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Fund financial statements. As of June 30, 2023, the net position of the OPEB trust fund totaled \$978,528.

**Investment policy** – The Town's policy in regard to the allocation of invested assets is established and may be amended by the Select Board by a majority vote of its members. The OPEB plan's assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan. The long-term real rate of return on OPEB investments was determined using the Town's investment policy.

**Plan Membership** – The following table represents the Plan's membership at July 1, 2022:

Active members.....	331
Inactive members currently receiving benefits.....	299
<b>Total.....</b>	<b>630</b>

**Components of OPEB Liability** – The following table represents the components of the Plan's OPEB liability as of June 30, 2023:

Total OPEB liability.....	\$ 54,178,338
Less: OPEB plan's fiduciary net position.....	<u>(979,528)</u>
 Net OPEB liability.....	 <u>\$ 53,198,810</u>
 The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.....	 1.81%

**Significant Actuarial Methods and Assumptions** – The total OPEB liability in the July 1, 2022, actuarial valuation was determined by using the following actuarial assumptions, applied to all periods included in the measurement date that was updated to June 30, 2023:

Valuation date.....	July 1, 2022.
Actuarial cost method.....	Individual Entry Age Normal.
Asset valuation method.....	Fair Value of assets as of the measurement date, June 30, 2023.
Investment rate of return.....	5.19%, net of OPEB plan investment expense, including inflation.
Single equivalent discount rate.....	4.56% as of June 30, 2023, previously 4.76%.
Inflation.....	2.50% as of June 30, 2023 and for future periods.
Salary increases.....	3.00% annually as of June 30, 2023 and for future periods.
Healthcare cost trend rate.....	6.50% initially, grading down an ultimate rate of 3.63% in 2060.
Pre-Retirement mortality.....	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females. Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females.
Post-Retirement mortality.....	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females. Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.
Disabled mortality.....	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year. Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.

**Rate of return** – For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 7.59%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

Best estimates of geometric real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2023, are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity - large cap.....	18.50%	4.10%
Domestic equity - small/mid cap.....	13.25%	4.55%
International equity - developed market..	12.50%	4.64%
International equity - emerging market...	7.50%	5.45%
Domestic fixed income.....	39.00%	1.05%
International fixed income.....	6.50%	0.96%
Alternatives.....	2.00%	5.95%
Real estate.....	0.00%	6.25%
Cash & cash equivalents.....	0.75%	0.00%
 Total.....	 100.00%	

**Discount rate** – The discount rate used to measure the total OPEB liability was 4.56% as of June 30, 2023, and 4.76 % as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Town's funding policy. Based on these assumptions, the OPEB Plan's fiduciary net position is projected to be insufficient to make all projected benefit payments to current plan members. Therefore, the long-term expected rate of return on the OPEB Plan assets is applied to the projected benefits payments which the fiduciary net position is expected to be sufficient to cover and the municipal bond rate is applied thereafter. The municipal bond rate is based on the S&P Municipal Bond 20 – Year High Grade Index ("SAPIHG"), which was 4.13% as of June 30, 2023. The S&P Municipal Bond 20 - Year High Grade Index is the index rate for 20-year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate** – The following table presents the net other postemployment benefit liability and service cost, calculated using the discount rate of 4.56%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a discount rate that is 1-percentage-point lower (3.56%) or 1-percentage-point higher (5.56%) than the current rate.

	Current		
	1% Decrease (3.56%)	Discount Rate (4.56%)	1% Increase (5.56%)
Net OPEB liability.....	\$ 62,088,869	\$ 53,198,810	\$ 46,114,802

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend** – The following table presents the net other postemployment benefit liability and service cost, calculated using the current healthcare trend rate of 6.50%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	1% Decrease	Current Trend	1% Increase
Net OPEB liability.....	\$ 45,508,980	\$ 53,198,810	\$ 62,967,687

*Changes in the Net OPEB Liability*

	Total OPEB Liability	Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2022.....	\$ 51,460,097	\$ 652,734	\$ 50,807,363
Changes for the year:			
Service cost.....	1,430,841	-	1,430,841
Interest.....	2,473,316	-	2,473,316
Differences between expected and actual experience.....	(2,805,240)	-	(2,805,240)
Changes in assumptions.....	3,502,260	-	3,502,260
Benefit payments.....	(1,882,936)	(1,882,936)	-
Contributions - employer.....	-	2,150,288	(2,150,288)
Net investment income.....	-	59,442	(59,442)
Net change.....	2,718,241	326,794	2,391,447
Balances at June 30, 2023.....	\$ 54,178,338	\$ 979,528	\$ 53,198,810

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** – For the year ended June 30, 2023, the Town recognized OPEB expense of \$4,153,314. At June 30, 2023, the Town reported deferred outflows of resources related to OPEB totaling \$10,126,811 and deferred inflows of resources related to OPEB totaling \$15,095,408 from the following sources.

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ -	\$ (3,798,104)	\$ (3,798,104)
Difference between projected and actual earnings, net.....	55,252	-	55,252
Changes in assumptions.....	10,071,559	(11,297,305)	(1,225,746)
Total deferred outflows/(inflows) of resources.....	\$ 10,126,811	\$ (15,095,409)	\$ (4,968,598)

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

Measurement date year ended June 30:

2024.....	\$ (588,358)
2025.....	(940,164)
2026.....	(1,368,251)
2027.....	(2,195,639)
2028.....	114,641
Thereafter.....	9,173
	\$ (4,968,598)

*Changes of Assumptions* – The discount rate decreased from 4.76% to 4.56%.

*Changes in Plan Provisions* – None.

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

The general fund has various commitments for goods and services related to encumbrances totaling \$323,858.

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 against the Town. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2023, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2023.

**NOTE 13 – LANDFILL CLOSURE**

State and federal laws and regulations require the Town to construct a final capping system on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town closed its landfill in 1995. The Town has reflected a \$98,000 post-closure care liability at June 30, 2023 as an obligation of the governmental activities. This amount is based upon estimates of what it would cost to perform all post-closure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Its cost was estimated based on semi-annual sampling for the current monitoring network at the site and estimated costs to maintain the integrity of the landfill cap during the post-closure period.

**NOTE 14 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 14, 2024, which is the date the financial statements were available to be issued.

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

During 2023, the following GASB pronouncements were implemented:

- GASB Statement #91, *Conduit Debt Obligations*. This pronouncement did not impact the basic financial statements.
- GASB Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This pronouncement did not impact the basic financial statements.
- GASB Statement #96, *Subscription-Based Information Technology Arrangements*. This pronouncement did not impact the basic financial statements.
- GASB Statement #99, *Omnibus 2022*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #100, Accounting Changes and Error Corrections, which is required to be implemented in 2024.
- The GASB issued Statement #101, Compensated Absences, which is required to be implemented in 2025.

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

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# ***Required Supplementary Information***

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

YEAR ENDED JUNE 30, 2023

	Budgeted Amounts				
	Amounts				
	Carried Forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget	
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 30,548,749	\$ 30,548,749	\$ 30,753,138	
Tax liens.....	- -	- -	- -	- -	
Motor vehicle and other excise taxes.....	- -	1,872,620	1,872,620	1,872,620	
Penalties and interest on taxes.....	- -	200,000	200,000	200,000	
Fees and rentals.....	- -	469,471	469,471	469,471	
Payments in lieu of taxes.....	- -	1,648	1,648	1,648	
Licenses and permits.....	- -	332,113	332,113	332,113	
Fines and forfeitures.....	- -	13,263	13,263	13,263	
Intergovernmental.....	- -	10,771,811	10,771,811	10,873,557	
Investment income.....	- -	25,000	25,000	25,000	
Miscellaneous.....	- -	215,699	215,699	215,699	
<b>TOTAL REVENUES.....</b>	<b>- -</b>	<b>44,450,374</b>	<b>44,450,374</b>	<b>44,756,509</b>	
<b>EXPENDITURES:</b>					
Current:					
General government.....	64,697	2,918,442	2,983,139	2,950,909	
Public safety.....	22,171	4,281,391	4,303,562	4,266,540	
Education.....	203,067	23,397,371	23,600,438	23,600,438	
Public works.....	62,976	2,297,441	2,360,417	2,495,389	
Health and human services.....	- -	406,634	406,634	375,711	
Culture and recreation.....	11,074	613,532	624,606	624,606	
Pension benefits.....	- -	1,689,147	1,689,147	1,689,147	
Property and liability insurance.....	- -	225,644	225,644	229,845	
Employee benefits.....	300	2,955,408	2,955,708	2,995,512	
State and county charges.....	- -	1,139,089	1,139,089	1,186,418	
Debt service:					
Principal.....	- -	2,469,486	2,469,486	2,469,486	
Interest.....	- -	1,187,747	1,187,747	1,187,747	
<b>TOTAL EXPENDITURES.....</b>	<b>364,285</b>	<b>43,581,332</b>	<b>43,945,617</b>	<b>44,071,748</b>	
<b>EXCESS (DEFICIENCY) OF REVENUES</b>					
OVER (UNDER) EXPENDITURES.....	(364,285)	869,042	504,757	684,761	
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in.....	- -	195,919	195,919	195,919	
Transfers out.....	- -	(3,274,954)	(3,274,954)	(3,458,954)	
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>- -</b>	<b>(3,079,035)</b>	<b>(3,079,035)</b>	<b>(3,263,035)</b>	
NET CHANGE IN FUND BALANCE.....	(364,285)	(2,209,993)	(2,574,278)	(2,578,274)	
BUDGETARY FUND BALANCE, Beginning of year.....	- -	5,879,744	5,879,744	5,879,744	
BUDGETARY FUND BALANCE, End of year.....	\$ (364,285)	\$ 3,669,751	\$ 3,305,466	\$ 3,301,470	

See notes to required supplementary information.

Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$ 29,243,596	\$ -	\$ (1,509,542)
112,349	-	112,349
2,236,145	-	363,525
139,956	-	(60,044)
631,679	-	162,208
1,629	-	(19)
421,406	-	89,293
12,021	-	(1,242)
11,271,432	-	397,875
264,607	-	239,607
<u>351,702</u>	<u>-</u>	<u>136,003</u>
<u>44,686,522</u>	<u>-</u>	<u>(69,987)</u>
2,692,702	88,632	169,575
4,135,941	45,829	84,770
23,491,197	75,037	34,204
2,268,953	80,738	145,698
362,842	1,245	11,624
568,294	28,407	27,905
1,689,147	-	-
228,797	-	1,048
2,988,803	3,970	2,739
1,075,320	-	111,098
<u>2,469,486</u>	<u>-</u>	<u>-</u>
<u>1,187,747</u>	<u>-</u>	<u>-</u>
<u>43,159,229</u>	<u>323,858</u>	<u>588,661</u>
<u>1,527,293</u>	<u>(323,858)</u>	<u>518,674</u>
174,934	-	(20,985)
<u>(3,458,954)</u>	<u>-</u>	<u>-</u>
<u>(3,284,020)</u>	<u>-</u>	<u>(20,985)</u>
(1,756,727)	(323,858)	497,689
<u>5,879,744</u>	<u>-</u>	<u>-</u>
\$ <u>4,123,017</u>	\$ <u>(323,858)</u>	\$ <u>497,689</u>

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

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts Teachers Contributory Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the Town along with 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**

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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, 2022.....	2.077%	\$ 21,361,778	\$ 7,853,347	272.01%	48.20%
December 31, 2021.....	2.071%	17,433,946	7,238,609	240.85%	56.20%
December 31, 2020.....	2.233%	19,838,326	6,969,393	284.65%	50.30%
December 31, 2019.....	2.224%	19,799,481	6,631,003	298.59%	47.36%
December 31, 2018.....	2.195%	19,899,499	5,642,383	352.68%	43.05%
December 31, 2017.....	2.188%	17,839,446	5,865,311	304.15%	46.40%
December 31, 2016.....	2.165%	18,136,490	5,944,254	305.11%	42.00%
December 31, 2015.....	2.151%	15,267,984	4,799,347	318.13%	44.52%
December 31, 2014.....	2.105%	12,523,938	4,614,757	271.39%	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**

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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, 2023.....	\$ 1,689,147	\$ (1,689,147)	\$ -	\$ 8,010,414	21.09%
June 30, 2022.....	1,531,070	(1,531,070)	-	7,383,381	20.74%
June 30, 2021.....	1,502,144	(1,502,144)	-	7,108,781	21.13%
June 30, 2020.....	1,354,353	(1,354,353)	-	6,763,623	20.02%
June 30, 2019.....	1,221,814	(1,221,814)	-	5,755,231	21.23%
June 30, 2018.....	1,106,982	(1,106,982)	-	5,982,617	18.50%
June 30, 2017.....	1,051,795	(1,051,795)	-	6,063,139	17.35%
June 30, 2016.....	967,652	(967,652)	-	4,895,334	19.77%
June 30, 2015.....	831,727	(831,727)	-	4,707,052	17.67%

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 SPECIAL FUNDING AMOUNTS  
OF THE NET PENSION LIABILITY  
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM**

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The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Therefore, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the associated collective net pension liability; the portion of the collective pension expense as both a revenue and pension expense recognized; and the Plan's fiduciary net position as a percentage of the total liability.

Year	Commonwealth's 100% Share of the Associated Net Pension Liability	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2023.....	\$ 40,082,465	\$ 3,297,174	57.75%
2022.....	35,297,361	2,832,466	62.03%
2021.....	42,870,414	5,295,110	50.67%
2020.....	38,550,921	4,674,968	53.95%
2019.....	37,216,024	3,771,305	54.84%
2018.....	35,385,616	3,693,300	54.25%
2017.....	35,481,335	3,619,329	52.73%
2016.....	31,348,409	2,542,635	55.38%
2015.....	24,586,652	1,708,153	61.64%

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

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

See notes to required supplementary information.

# ***Other Postemployment Benefit Plan Schedules***

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

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

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

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

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

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
<b>Total OPEB Liability</b>							
Service Cost.....	\$ 1,602,126	\$ 1,490,634	\$ 1,615,373	\$ 1,835,739	\$ 1,938,199	\$ 2,529,948	\$ 1,430,841
Interest.....	1,552,322	1,759,698	1,549,203	1,742,336	1,712,496	1,864,400	2,473,316
Changes of benefit terms.....	-	-	-	-	(2,745,389)	-	-
Differences between expected and actual experience.....	-	-	1,569,612	(114,625)	(2,981,499)	-	(2,805,240)
Changes of assumptions.....	-	(3,784,195)	2,840,446	1,866,064	14,106,537	(17,290,568)	3,502,260
Benefit payments.....	(1,179,278)	(1,244,973)	(1,795,296)	(1,910,522)	(2,007,294)	(1,807,958)	(1,882,936)
Net change in total OPEB liability.....	1,975,170	(1,778,836)	5,779,338	3,418,992	10,023,050	(14,704,178)	2,718,241
Total OPEB liability - beginning.....	<u>46,746,561</u>	<u>48,721,731</u>	<u>46,942,895</u>	<u>52,722,233</u>	<u>56,141,225</u>	<u>66,164,275</u>	<u>51,460,097</u>
<b>Total OPEB liability - ending (a).....</b>	<b><u>\$ 48,721,731</u></b>	<b><u>\$ 46,942,895</u></b>	<b><u>\$ 52,722,233</u></b>	<b><u>\$ 56,141,225</u></b>	<b><u>\$ 66,164,275</u></b>	<b><u>\$ 51,460,097</u></b>	<b><u>\$ 54,178,338</u></b>
<b>Plan fiduciary net position</b>							
Employer contributions.....	\$ -	\$ 100,000	\$ 100,656	\$ 150,656	\$ 110,656	\$ 181,074	\$ 267,352
Employer contributions for OPEB payments.....	1,179,278	1,244,973	1,795,296	1,910,522	2,007,294	1,807,958	1,882,936
Net investment income.....	-	3,408	8,843	11,706	103,535	(117,800)	59,442
Benefit payments.....	(1,179,278)	(1,244,973)	(1,795,296)	(1,910,522)	(2,007,294)	(1,807,958)	(1,882,936)
Net change in plan fiduciary net position.....	-	103,408	109,499	162,362	214,191	63,274	326,794
Plan fiduciary net position - beginning of year.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>103,408</u>	<u>212,907</u>	<u>375,269</u>	<u>589,460</u>
Plan fiduciary net position - end of year (b).....	<u>\$ -</u>	<u>\$ 103,408</u>	<u>\$ 212,907</u>	<u>\$ 375,269</u>	<u>\$ 589,460</u>	<u>\$ 652,734</u>	<u>\$ 979,528</u>
<b>Net OPEB liability - ending (a)-(b).....</b>	<b><u>\$ 48,721,731</u></b>	<b><u>\$ 46,839,487</u></b>	<b><u>\$ 52,509,326</u></b>	<b><u>\$ 55,765,956</u></b>	<b><u>\$ 65,574,815</u></b>	<b><u>\$ 50,807,363</u></b>	<b><u>\$ 53,198,810</u></b>
Plan fiduciary net position as a percentage of the total OPEB liability.....	0.00%	0.22%	0.40%	0.67%	0.89%	1.27%	1.81%
Covered-employee payroll.....	\$ 16,341,259	\$ 16,831,497	\$ 17,436,600	\$ 17,959,698	\$ 18,899,082	\$ 19,466,054	\$ 22,330,109
Net OPEB liability as a percentage of covered-employee payroll.....	298.15%	278.28%	301.14%	310.51%	346.97%	261.00%	238.24%

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

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

See notes to required supplementary information.

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

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Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
June 30, 2023.....	\$ 3,617,454	\$ (2,150,288)	\$ 1,467,166	\$ 22,330,109	9.63%
June 30, 2022.....	4,672,052	(1,989,032)	2,683,020	19,466,054	10.22%
June 30, 2021.....	4,047,879	(2,117,950)	1,929,929	18,899,082	11.21%
June 30, 2020.....	4,598,009	(2,061,178)	2,536,831	17,959,698	11.48%
June 30, 2019.....	4,294,580	(1,895,952)	2,398,628	17,436,600	10.87%
June 30, 2018.....	4,124,548	(1,344,973)	2,779,575	16,831,497	7.99%
June 30, 2017.....	3,987,297	(1,179,278)	2,808,019	16,341,259	7.22%

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 INVESTMENT RETURNS**  
**OTHER POSTEMPLOYMENT BENEFIT PLAN**

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Year	Annual money-weighted rate of return, net of investment expense
June 30, 2023.....	7.59%
June 30, 2022.....	-15.58%
June 30, 2021.....	23.68%
June 30, 2020.....	3.46%
June 30, 2019.....	5.21%
June 30, 2018.....	5.17%
June 30, 2017.....	N/A

N/A - The Town began funding its OPEB obligation in 2018.

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

### 1. Budgetary Information

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

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

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

The Town adopts an annual budget for the general fund in conformity with the guidelines described above. The original 2023 approved budget for the general fund authorized approximately \$47.2 million in appropriations and other amounts to be raised and includes \$364,000 of carryforwards from the prior year. Changes during the year consisted of supplemental appropriations and allocations between and among departments. Supplemental appropriations totaled \$310,000 and mainly related to public works and transfers to capital projects.

The Town Accountant's office has the responsibility to ensure that budgetary control is maintained on an individual line-item appropriation account basis. Budgetary control is exercised through the Town's accounting system. During 2023, expenditures exceeded budgeted appropriations for state and county charges. State and county charges are assessments from the Commonwealth, which are directly deducted from local receipts provided by the State. The Town is not required to raise the state and county assessment deficit.

### 2. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth of Massachusetts) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the General Fund for the year ended June 30, 2023, is presented below:

Net change in fund balance - budgetary basis..... \$ (1,756,727)

#### Perspective differences:

Activity of the stabilization funds recorded in the general fund for GAAP.....	643,793
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#### Basis of accounting differences:

Net change in recording 60 day receipts.....	(75,095)
Recognition of revenue for on-behalf payments.....	3,297,174
Recognition of expenditures for on-behalf payments.....	(3,297,174)

Net change in fund balance - GAAP basis..... \$ (1,188,029)

**NOTE B – PENSION PLAN**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 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.

Schedule of the Special Funding Amounts of the Net Pension Liabilities

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Town; the portion of the collective pension expense as both a revenue and pension expense recognized by the Town; and the Plan's fiduciary net position as a percentage of the total liability.

Changes of Assumptions

None.

Changes in Plan Provisions

None.

**NOTE C – OTHER POSTEMPLOYMENT BENEFITS**

The Town administers a single-employer defined benefit healthcare plan. The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Town's group health insurance plan, which covers both active and retired members. Additionally, retired teachers and their spouses receive health insurance through the Group Insurance Commission of the Commonwealth of Massachusetts (GIC). Each participating municipality is assessed for the governmental share of health and life insurance premiums paid on behalf of its teacher retirees by the state.

## The Other Postemployment Benefit Plan

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

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

### Schedule of the Town's Contributions

The Schedule of the Town's Contributions includes the Town's annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered employee payroll. The Town is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered payroll. Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Methods and assumptions used to determine contribution rates are as follows:

Valuation date.....	July 1, 2022.
Actuarial cost method.....	Individual Entry Age Normal.
Asset valuation method.....	Fair Value of assets as of the measurement date, June 30, 2023.
Investment rate of return.....	5.19%, net of OPEB plan investment expense, including inflation.
Single equivalent discount rate.....	4.56% as of June 30, 2023, previously 4.76%.
Inflation.....	2.50% as of June 30, 2023 and for future periods.
Salary increases.....	3.00% annually as of June 30, 2023 and for future periods.
Healthcare cost trend rate.....	6.50% initially, grading down an ultimate rate of 3.63% in 2060.
Pre-Retirement mortality.....	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females. Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females.
Post-Retirement mortality.....	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females. Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.
Disabled mortality.....	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year. Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.

Schedule of Investment Returns

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

Changes of Assumptions

The discount rate decreased from 4.76% to 4.56%.

Changes in Provisions

None.