

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF WRENTHAM, MASSACHUSETTS

Basic Financial Statements
and
Additional Information

Year Ended June 30, 2022



TOWN OF WRENTHAM, MASSACHUSETTS

TABLE OF CONTENTS YEAR ENDED JUNE 30, 2022

	Page(s)
INDEPENDENT AUDITORS' REPORT	1 – 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 – 11
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position	12 – 13
Statement of Activities	14
Governmental Funds Financial Statements:	
Balance Sheet	15
Reconciliation of the Balance Sheet Total Fund Balances to the Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balances	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Proprietary Funds Financial Statements:	
Statement of Net Position	19 – 20
Statement of Revenues, Expenses and Changes in Net Position	21
Statement of Cash Flows	22 – 23
Fiduciary Funds Financial Statements:	
Statement of Fiduciary Net Position	24
Statement of Changes in Fiduciary Net Position	25
Notes to the Financial Statements	26 – 52
REQUIRED SUPPLEMENTARY INFORMATION – UNAUDITED:	
Schedule of the Town's Proportionate Share of the Net Pension Liability	53
Schedule of the Town's Contributions to the Pension Plan	53
Schedule of the Commonwealth's Proportionate Share of the Net Pension Liability – MTRS	54
Schedule of Changes in Net OPEB Liability and Related Ratios	55
Schedule of Contributions to the OPEB Plan	56
Schedule of Investment Returns – OPEB Plan	56
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	57
Notes to Required Supplementary Information	58



INDEPENDENT AUDITORS' REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wrentham, Massachusetts, (the "Town") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2022 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 of Opinion

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements taken as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

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

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 17, 2023 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in cursive script that reads "Roselli, Clark & Associates".

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
January 17, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the Town of Wrentham, Massachusetts (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information.

Financial Highlights

- The Town's assets and deferred inflows or resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by over \$2.5 million. The Town reported an approximate \$11.6 million deficit net position in its governmental activities and an approximate \$14.1 million positive net position in its water enterprise. Included in the Town's unrestricted net position (deficit) in its governmental activities is approximately \$56.1 million in liabilities associated with the Town's net pension and net other postemployment benefits, or OPEB, liabilities.
- The Town's total net position increased over \$7.8 million in fiscal year 2022. The Town reported an approximate \$7.6 million increase in net position in its governmental activities and nearly \$0.3 million increase in its net position in its business-type activities. The Town recognized a net benefit of over \$5.7 million in noncash personnel costs related to pension and OPEB in its governmental activities in fiscal year 2022, which was the primary cause of the overall increase in net position in the Town's governmental activities.
- At June 30, 2022, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$12.2 million, which was approximately \$1.9 million higher than the prior year.
- Of the ending fund balance in the Town's governmental funds, approximately \$5.9 million is available for spending at the government's discretion as unassigned fund balance. The remainder is earmarked for specific expenditures.
- At June 30, 2022, the unassigned fund balance for the general fund was over 12% of fiscal year 2022 total general fund expenditures and the total general fund balance was approximately 17% of that figure.
- The Town's total long-term debt decreased over \$1.0 million in 2022 to approximately \$7.0 million. The Town did not issue any long-term debt in fiscal year 2022.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, highways and streets, sanitation, education through a regional district, community development, health and human services, culture and recreation, fringe benefits and debt service. The business-type activities of the Town include its water 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. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

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

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

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

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

Proprietary Funds – Proprietary funds are used to account for a government’s ongoing organizations and activities which are similar to those often found in the private sector. The Town utilizes the proprietary funds to report activities of its enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water activities.

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

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

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town’s progress in funding its obligation to provide pension and other postemployment benefits to its employees as well as the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – General Fund.

Government-Wide Financial Analysis

Condensed comparative statements of net position for the two most recent years were as follows:

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2022	June 30, 2021 (a)	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021 (a)
Assets:						
Current and other assets	\$ 20,965,847	\$ 19,001,169	\$ 7,157,205	\$ 6,695,962	\$ 28,123,052	\$ 25,697,131
Capital assets, net	<u>35,816,696</u>	<u>36,836,125</u>	<u>14,476,352</u>	<u>15,045,181</u>	<u>50,293,048</u>	<u>51,881,306</u>
Total Assets	<u>56,782,543</u>	<u>55,837,294</u>	<u>21,633,557</u>	<u>21,741,143</u>	<u>78,416,100</u>	<u>77,578,437</u>
Deferred Outflows of Resources	<u>10,286,627</u>	<u>13,273,238</u>	<u>370,742</u>	<u>327,527</u>	<u>10,657,369</u>	<u>13,600,765</u>
Liabilities:						
Long-term liabilities	58,414,853	75,976,695	6,651,012	7,138,876	65,065,865	83,115,571
Other liabilities	<u>4,238,970</u>	<u>4,053,450</u>	<u>673,510</u>	<u>921,705</u>	<u>4,912,480</u>	<u>4,975,155</u>
Total Liabilities	<u>62,653,823</u>	<u>80,030,145</u>	<u>7,324,522</u>	<u>8,060,581</u>	<u>69,978,345</u>	<u>88,090,726</u>
Deferred Inflows of Resources	<u>15,967,919</u>	<u>8,195,956</u>	<u>593,644</u>	<u>201,664</u>	<u>16,561,563</u>	<u>8,397,620</u>
Net Position:						
Net investment in capital assets	33,157,346	31,028,666	9,980,126	9,349,473	43,137,472	40,378,139
Restricted	9,618,075	8,776,342	-	-	9,618,075	8,776,342
Unrestricted	<u>(54,327,993)</u>	<u>(58,920,577)</u>	<u>4,106,007</u>	<u>4,456,952</u>	<u>(50,221,986)</u>	<u>(54,463,625)</u>
Total Net Position	<u>\$ (11,552,572)</u>	<u>\$ (19,115,569)</u>	<u>\$ 14,086,133</u>	<u>\$ 13,806,425</u>	<u>\$ 2,533,561</u>	<u>\$ (5,309,144)</u>

(a) Current and other assets and deferred inflows of resources were revised to conform to current year presentation.

The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by over \$2.5 million (net position). The Town continues to report a deficit in its unrestricted net position in its governmental activities, which totaled approximately \$54.3 million at June 30, 2022. Included in this deficit is approximately \$9.9 million and \$46.2 million, respectively, of net pension and net other postemployment liabilities at June 30, 2022. These noncash personnel benefit liabilities are the primary contributors to this reported deficit.

The largest portion (approximately \$43.1 million) of the Town's net position reflects its net investment in capital assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (over \$9.6 million) represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net position is in deficit by approximately \$50.2 million. As previously noted, this deficit net position is primarily the result of the Town's recording of its net pension and net OPEB liabilities.

Condensed comparative statements of activities for the two most recent years were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 4,863,794	\$ 4,322,235	\$ 3,281,203	\$ 3,632,365	\$ 8,144,997	\$ 7,954,600
Operating grants and contributions	9,096,117	10,366,209	-	-	9,096,117	10,366,209
Capital grants and contributions	350,459	3,209,072	18,855	935,413	369,314	4,144,485
General revenues:						
Property taxes	38,700,272	36,630,270	-	-	38,700,272	36,630,270
Excise taxes	2,917,890	2,532,236	-	-	2,917,890	2,532,236
Intergovernmental	1,024,676	1,015,125	-	-	1,024,676	1,015,125
Other	157,973	381,952	12,587	-	170,560	381,952
Total Revenues	57,111,181	58,457,099	3,312,645	4,567,778	60,423,826	63,024,877
Expenses:						
General government	3,901,764	4,484,229	-	-	3,901,764	4,484,229
Public safety	8,365,358	11,024,169	-	-	8,365,358	11,024,169
Education	31,690,987	37,196,305	-	-	31,690,987	37,196,305
Public works	3,210,754	3,519,990	-	-	3,210,754	3,519,990
Health and human services	1,022,587	1,274,822	-	-	1,022,587	1,274,822
Culture and recreation	1,294,910	1,318,034	-	-	1,294,910	1,318,034
Interest expense	61,824	70,757	-	-	61,824	70,757
Water services	-	-	3,032,937	2,698,675	3,032,937	2,698,675
Total Expenses	49,548,184	58,888,306	3,032,937	2,698,675	52,581,121	61,586,981
Change in Net Position	7,562,997	(431,207)	279,708	1,869,103	7,842,705	1,437,896
Net Position:						
Beginning of year	(19,115,569)	(18,684,362)	13,806,425	11,937,322	(5,309,144)	(6,747,040)
End of year	<u>\$ (11,552,572)</u>	<u>\$ (19,115,569)</u>	<u>\$ 14,086,133</u>	<u>\$ 13,806,425</u>	<u>\$ 2,533,561</u>	<u>\$ (5,309,144)</u>

Governmental Activities – Total revenues decreased over \$1.3 million, or 2%, year-over-year. Property taxes increased nearly \$2.1 million, or 5.7%, in fiscal year 2022. This increase was primarily due to new growth, a decrease in excess levy capacity and the standard property tax increases afforded to the Town under Proposition 2 ½. Charges for services increased over \$0.5 million in 2022, which was due primarily to the release of most COVID-19 restrictions. These increases were offset by a number of reported decreases in revenues in 2022; the most notable included decreases of approximately:

- \$1.3 million in operating grants and contributions. The primary contributor to this decrease was an approximate \$1.8 million decrease in intergovernmental revenues associated with the Commonwealth’s payment of teacher pensions to the MTRS on-behalf of the Town.
- \$2.9 million in capital grants and contributions. Revenues from roadway improvements funded by the Commonwealth (commonly referred to as Chapter 90 reimbursements) decreased nearly \$0.5 million year-over-year. This decrease coupled with the one-time receipt of \$1.9 million in donated roadways and infrastructure in fiscal year 2021 were the primary contributors to this decrease.

Property tax Property taxes continue to represent the majority of the Town’s total revenues. In fiscal year 2022, property taxes represented approximately 68% of total revenues, which was an increase from the prior year’s ratio of 63%. Operating grants represented approximately 16% and 18% of fiscal year 2022 and 2021 total revenues, respectively. No other revenue source exceeded 10% in either fiscal year 2022 or 2021.

Total expenses decreased over \$9.4 million, or 16%, in fiscal year 2022. The Town reported a nearly \$10.1 million decrease in noncash personnel benefits expenses related to its pension and OPEB benefits in addition to an approximate \$1.8 million decrease in teacher pension expense related to the Commonwealth's payments to the MTRS on-behalf of the Town.

Education continues to be the Town's largest expense category; education expenses totaled approximately 64% and 63% of fiscal year 2022 and 2021 total expenses, respectively. Public safety expenses represented approximately 17% and 19% of fiscal year 2022 and 2021 total expenses, respectively. No other expense categories were greater than 10% in fiscal years 2022 or 2021.

Business-Type Activities – User charges represent the majority of the reported revenues in both fiscal years 2022 and 2021. User charges decreased in fiscal year 2022 due to lower consumption. Additionally, the 2021 operating results included one-time capital grants and contributions of over \$0.9 million in water mains acquired through the Town's acceptance of the public works infrastructure of a residential housing development. Expenses in the business-type activities increased over \$0.3 million in fiscal year 2022, which was due almost entirely to increased OPEB benefits costs.

Governmental Funds Financial Analysis

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

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

As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of over \$15.2 million, which was nearly \$1.9 million higher than the prior year. Of the ending fund balance, approximately \$5.9 million is available for spending at the government's discretion as unassigned fund balance. The remainder is earmarked for specific expenditures. The Town reported positive changes in fund balance in each of its reported major governmental funds.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the unassigned fund balance of the general fund was approximately \$6.1 million, while total fund balance was over \$8.7 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents over 12% of total 2022 general fund expenditures, while total fund balance represents nearly 17% of that same amount.

The Town established a community preservation fund in fiscal year 2018. This fund is restricted for historical preservation and conservation of open space. At June 30, 2022, the community preservation fund balance totaled over \$1.3 million.

The Town's ARPA grant fund qualified as a major governmental fund in fiscal year 2022. Through June 30, 2022, the Town received approximately \$0.9 million in ARPA funds and expended less than \$0.1 million. The unexpended balance is reported as unearned revenues at June 30, 2022.

The Town reports approximately \$5.2 million in fund balances in its nonmajor governmental funds due to constraints placed externally by third-parties. The fund balance in nonmajor governmental funds increased over \$1.1 million, which was primarily a function of timing of expenditures to receipts.

Proprietary Funds – The Town’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At June 30, 2022, the net position in the water enterprise approached \$14.1 million.

General Fund Budgetary Highlights

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

Capital Asset and Debt Administration

Capital Assets – As of June 30, 2022, the Town’s investment in capital assets for its governmental and business-type activities approximated \$35.8 million and \$14.5 million, respectively. In total, net capital assets decreased nearly \$1.6 million year-over-year as current year depreciation exceeded capital additions.

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

Long-Term Debt – At the end of the current fiscal year, the Town had total long-term bonded debt outstanding of nearly \$7.0 million. The Town did not issue any long-term debt in fiscal year 2022. In connection with the October 2020 general obligation bond issuances, Standard and Poor’s Financial Services LLC affirmed the Town’s “AA+” rating.

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

Economic Factors and Next Year’s Budgets and Rates

- Net state audit for fiscal year 2023 is expected to increase to approximately \$3,868,000.
- The Town enters fiscal year 2023 with the following financial reserves:
 - Certified free cash in excess of \$3.2 million;
 - General stabilization funds of nearly \$1.9 million; and
 - Capital stabilization funds of nearly \$0.5 million.
- Inflation is expected to affect the Town in a number of areas including increased capital acquisition costs, borrowing costs and operating expenses.
- The Town’s real estate tax base is made up predominantly of residential taxes, which in 2022 are approximately 76% of the entire levy. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town’s ability to increase taxes in any one year by more than 2.5% of the previous year’s tax levy.
- The Town continues to experience growth in new home construction.

Each of these factors were considered in preparing the Town’s budget for the 2023 fiscal year, which was adopted at Town Meeting in June 2022. The Town set its 2023 tax rate on December 2, 2022.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Town Administrator, 79 South Street, Wrentham, MA 02093.

TOWN OF WRENTHAM, MASSACHUSETTS

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 14,599,072	\$ 5,767,228	\$ 20,366,300
Investments	3,168,945	-	3,168,945
Receivables, net of allowances:			
Property taxes	1,380,214	-	1,380,214
Excise taxes	243,094	-	243,094
Departmental, user charges and other	590,434	1,249,341	1,839,775
Intergovernmental	606,309	140,636	746,945
Leases	377,779	-	377,779
Land	4,631,656	645,101	5,276,757
Depreciable capital assets, net	<u>31,185,040</u>	<u>13,831,251</u>	<u>45,016,291</u>
Total Assets	<u>56,782,543</u>	<u>21,633,557</u>	<u>78,416,100</u>
Deferred Outflows of Resources:			
Other postemployment benefits	9,143,487	314,490	9,457,977
Pensions	<u>1,143,140</u>	<u>56,252</u>	<u>1,199,392</u>
Total Deferred Outflows of Resources	<u>10,286,627</u>	<u>370,742</u>	<u>10,657,369</u>

(continued)

TOWN OF WRENTHAM, MASSACHUSETTS

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Liabilities:			
Warrants and accounts payable	\$ 1,018,680	\$ 67,336	\$ 1,086,016
Accrued payroll and withholdings	1,361,237	16,585	1,377,822
Accrued interest	16,702	37,985	54,687
Unearned revenues	749,814	-	749,814
Deposits and escrows	291,615	-	291,615
Noncurrent liabilities:			
Due within one year	800,922	551,604	1,352,526
Due in more than one year	<u>58,414,853</u>	<u>6,651,012</u>	<u>65,065,865</u>
Total Liabilities	<u>62,653,823</u>	<u>7,324,522</u>	<u>69,978,345</u>
Deferred Inflows of Resources:			
Leased property	377,779	-	377,779
Other postemployment benefits	11,713,707	402,893	12,116,600
Pensions	<u>3,876,433</u>	<u>190,751</u>	<u>4,067,184</u>
Total Deferred Inflows of Resources	<u>15,967,919</u>	<u>593,644</u>	<u>16,561,563</u>
Net Position:			
Net investment in capital assets	33,157,346	9,980,126	43,137,472
Restricted for:			
Nonexpendable permanent funds	336,688	-	336,688
Expendable permanent funds	246,923	-	246,923
Community preservation	1,334,031	-	1,334,031
Revolving funds	3,550,345	-	3,550,345
Other purposes	4,150,088	-	4,150,088
Unrestricted	<u>(54,327,993)</u>	<u>4,106,007</u>	<u>(50,221,986)</u>
Total Net Position	<u>\$ (11,552,572)</u>	<u>\$ 14,086,133</u>	<u>\$ 2,533,561</u> <i>(concluded)</i>

See accompanying notes to basic financial statements.

TOWN OF WRENTHAM, MASSACHUSETTS

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

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 3,901,764	\$ 752,951	\$ 606,460	\$ -	\$ (2,542,353)		\$ (2,542,353)
Public safety	8,365,358	2,769,520	392,518	-	(5,203,320)		(5,203,320)
Education	31,690,987	653,593	7,489,919	-	(23,547,475)		(23,547,475)
Public works	3,210,754	139,514	6,357	350,459	(2,714,424)		(2,714,424)
Health and human services	1,022,587	314,705	541,370	-	(166,512)		(166,512)
Culture and recreation	1,294,910	233,511	59,493	-	(1,001,906)		(1,001,906)
Interest expense	61,824	-	-	-	(61,824)		(61,824)
Total Governmental Activities	49,548,184	4,863,794	9,096,117	350,459	(35,237,814)		(35,237,814)
Business-Type Activities:							
Water	3,032,937	3,281,203	-	18,855		\$ 267,121	267,121
Total Primary Government	\$ 52,581,121	\$ 8,144,997	\$ 9,096,117	\$ 369,314			(34,970,693)
General Revenues:							
Property taxes					38,700,272	-	38,700,272
Motor vehicle and other excise taxes					2,917,890	-	2,917,890
Grants and contributions not restricted to to specific programs					1,024,676	-	1,024,676
Penalties and interest on taxes					176,061	-	176,061
Investment (loss) income					(18,088)	12,587	(5,501)
Total General Revenues					42,800,811	12,587	42,813,398
Change in Net Position					7,562,997	279,708	7,842,705
Net Position:							
Beginning of year					(19,115,569)	13,806,425	(5,309,144)
End of year					\$ (11,552,572)	\$ 14,086,133	\$ 2,533,561

See accompanying notes to basic financial statements.

TOWN OF WRENTHAM, MASSACHUSETTS

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

	General Fund	Community Preservation Fund	ARPA Grant Fund	Nonmajor Governmental Funds	Total
Assets:					
Cash and cash equivalents	\$ 7,776,637	\$ 1,341,958	\$ 788,610	\$ 4,691,867	\$ 14,599,072
Investments	3,085,704	-	-	83,241	3,168,945
Receivables, net of allowances:					
Property taxes	1,373,873	6,341	-	-	1,380,214
Excise taxes	243,094	-	-	-	243,094
Departmental, user charges and other	-	-	-	590,434	590,434
Intergovernmental	7,976	-	-	598,333	606,309
Leases	377,779	-	-	-	377,779
Total Assets	12,865,063	1,348,299	788,610	5,963,875	20,965,847
Total Deferred Outflows of Resources	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 12,865,063	\$ 1,348,299	\$ 788,610	\$ 5,963,875	\$ 20,965,847
Liabilities:					
Warrants and accounts payable	\$ 726,466	\$ 7,817	\$ 38,796	\$ 245,601	\$ 1,018,680
Accrued payroll and withholdings	1,349,191	110	-	11,936	1,361,237
Unearned revenues	-	-	749,814	-	749,814
Deposits and escrows	291,615	-	-	-	291,615
Total Liabilities	2,367,272	7,927	788,610	257,537	3,421,346
Deferred Inflows of Resources:					
Leased property	377,779	-	-	-	377,779
Unavailable revenues - property taxes	1,153,522	6,341	-	-	1,159,863
Unavailable revenues - excise taxes	243,094	-	-	-	243,094
Unavailable revenues - other	-	-	-	546,303	546,303
Total Deferred Inflows of Resources	1,774,395	6,341	-	546,303	2,327,039
Fund Balances:					
Nonspendable	-	-	-	336,688	336,688
Restricted	-	1,334,031	-	5,001,010	6,335,041
Committed	180,541	-	-	-	180,541
Assigned	2,450,871	-	-	-	2,450,871
Unassigned	6,091,984	-	-	(177,663)	5,914,321
Total Fund Balances	8,723,396	1,334,031	-	5,160,035	15,217,462
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 12,865,063	\$ 1,348,299	\$ 788,610	\$ 5,963,875	\$ 20,965,847

See accompanying notes to basic financial statements.

TOWN OF WRENTHAM, MASSACHUSETTS

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

Total Governmental Fund Balances		\$ 15,217,462
Capital assets used in governmental activities in the statement of net position are not financial resources and, therefore, are not reported in the funds.		35,816,696
Certain receivables and revenues are deferred in the governmental funds as they are not current financial resources. These revenues are accrued under the economic resources basis of accounting.		2,327,039
Deferred outflows and inflows of resources to be recognized in future expense/income are not available resources and, therefore, are not reported in the funds:		
Deferred outflows of resources - other postemployment benefits	9,143,487	
Deferred outflows of resources - pensions	1,143,140	
Deferred inflows of resources - leases	(377,779)	
Deferred inflows of resources - other postemployment benefits	(11,713,707)	
Deferred inflows of resources - pensions	<u>(3,876,433)</u>	
Net effect of reporting deferred outflows and inflows of resources		(5,681,292)
Interest is accrued on outstanding long-term debt in the statement of net position but not in the funds until due.		(16,702)
Long-term liabilities not currently due and payable are reported in the statement of net position and not in the funds:		
Net other postemployment benefits liability	(46,215,667)	
Net pension liability	(9,869,308)	
Compensated absences	(300,842)	
Lease liabilities	(597,245)	
Bonds and notes payable	<u>(2,232,713)</u>	
Net effect of reporting long-term liabilities		<u>(59,215,775)</u>
Net Position — Governmental Activities		<u><u>\$ (11,552,572)</u></u>

See accompanying notes to basic financial statements.

TOWN OF WRENTHAM, MASSACHUSETTS

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

	General Fund	Community Preservation Fund	ARPA Grant Fund	Nonmajor Governmental Funds	Total
Revenues:					
Property taxes, net of tax refunds	\$ 38,226,601	\$ 309,262	\$ -	\$ -	\$ 38,535,863
Intergovernmental	7,428,089	127,689	95,329	2,620,193	10,271,300
Motor vehicle and other excise taxes	2,907,596	-	-	-	2,907,596
Licenses and permits	803,829	-	-	-	803,829
Penalties and interest on taxes	176,057	4	-	-	176,061
Fines and forfeitures	69,104	-	-	-	69,104
Departmental and other revenues	896,654	-	-	3,053,819	3,950,473
Contributions and donations	-	-	-	199,952	199,952
Investment (loss) income	(17,334)	3,192	-	(3,946)	(18,088)
Total Revenues	<u>50,490,596</u>	<u>440,147</u>	<u>95,329</u>	<u>5,870,018</u>	<u>56,896,090</u>
Expenditures:					
Current:					
General government	3,102,641	-	95,329	327,038	3,525,008
Public safety	6,528,696	-	-	1,079,193	7,607,889
Education	28,020,566	-	-	1,506,306	29,526,872
Public works	2,530,931	-	-	330,244	2,861,175
Health and human services	442,782	-	-	461,240	904,022
Culture and recreation	497,781	217,861	-	359,749	1,075,391
Pension and fringe benefits	7,465,074	-	-	-	7,465,074
State and county charges	1,448,942	-	-	-	1,448,942
Debt service:					
Principal	511,703	-	-	-	511,703
Interest	29,944	60,435	-	-	90,379
Total Expenditures	<u>50,579,060</u>	<u>278,296</u>	<u>95,329</u>	<u>4,063,770</u>	<u>55,016,455</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(88,464)</u>	<u>161,851</u>	<u>-</u>	<u>1,806,248</u>	<u>1,879,635</u>
Other Financing Sources (Uses):					
Transfers in	797,258	-	-	102,529	899,787
Transfers out	(102,529)	-	-	(797,258)	(899,787)
Total Other Financing Sources (Uses)	<u>694,729</u>	<u>-</u>	<u>-</u>	<u>(694,729)</u>	<u>-</u>
Change in Fund Balances	606,265	161,851	-	1,111,519	1,879,635
Fund Balances:					
Beginning of the year	8,117,131	1,172,180	-	4,048,516	13,337,827
End of the year	<u>\$ 8,723,396</u>	<u>\$ 1,334,031</u>	<u>\$ -</u>	<u>\$ 5,160,035</u>	<u>\$ 15,217,462</u>

See accompanying notes to basic financial statements.

TOWN OF WRENTHAM, MASSACHUSETTS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

Change in Fund Balances — Total Governmental Funds \$ 1,879,635

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

Capital asset additions	1,383,563	
Depreciation and amortization expense	<u>(2,402,992)</u>	
Net effect of reporting capital activity		(1,019,429)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. 215,091

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

Repayments of long-term debt	511,703	
Repayments of lease liabilities	171,788	
Amortization of bond premiums	<u>49,144</u>	
Net effect of reporting long-term debt activity		732,635

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

Net other postemployment benefits liability	4,180,243	
Net pension liability	1,569,499	
Compensated absences	1,418	
Accrued interest	<u>3,905</u>	
Net effect of reporting long-term liabilities		<u>5,755,065</u>

Change in Net Position — Governmental Activities \$ 7,562,997

See accompanying notes to basic financial statements.

TOWN OF WRENTHAM, MASSACHUSETTS

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

	<u>Business-Type Activities</u>
	<u>Water</u>
Assets:	
Current Assets:	
Cash and cash equivalents	\$ 5,767,228
Receivables, net of allowances:	
User charges and other	1,249,341
Intergovernmental	<u>68,411</u>
Total Current Assets	<u>7,084,980</u>
Noncurrent Assets:	
Intergovernmental receivables	72,225
Land	645,101
Depreciable capital assets, net	<u>13,831,251</u>
Total Noncurrent Assets	<u>14,548,577</u>
Total Assets	<u>21,633,557</u>
Deferred Outflows of Resources:	
Other postemployment benefits	314,490
Pensions	<u>56,252</u>
Total Deferred Outflows of Resources	<u>370,742</u>

(continued)

TOWN OF WRENTHAM, MASSACHUSETTS

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

	<u>Business-Type Activities</u>
	<u>Water</u>
Liabilities:	
Current Liabilities:	
Warrants and accounts payable	\$ 67,336
Accrued payroll and withholdings	16,585
Accrued interest	37,985
Compensated absences	4,508
Current portion of long-term debt	<u>547,096</u>
Total Current Liabilities	<u>673,510</u>
Noncurrent liabilities:	
Compensated absences	13,522
Net other postemployment benefits liability	1,589,588
Net pension liability	485,647
Long-term debt	<u>4,562,255</u>
Total Noncurrent Liabilities	<u>6,651,012</u>
Total Liabilities	<u>7,324,522</u>
Deferred Inflows of Resources:	
Other postemployment benefits	402,893
Pensions	<u>190,751</u>
Total Deferred Inflows of Resources	<u>593,644</u>
Net Position:	
Net investment in capital assets	9,980,126
Unrestricted	<u>4,106,007</u>
Total Net Position	<u>\$ 14,086,133</u>
	<i>(concluded)</i>

See accompanying notes to basic financial statements.

TOWN OF WRENTHAM, MASSACHUSETTS

PROPRIETARY FUNDS

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

	Business-Type Activities
	<u>Water</u>
Operating Revenues:	
Charges for services	\$ 3,274,321
Other operating revenues	<u>6,882</u>
Total Operating Revenues	<u>3,281,203</u>
Operating Expenses:	
Payroll and personnel costs	1,363,333
Operating costs	903,583
Depreciation	<u>624,679</u>
Total Operating Expenses	<u>2,891,595</u>
Operating Income	<u>389,608</u>
Nonoperating Expenses:	
Investment income	12,587
Interest expenses	<u>(141,342)</u>
Total Nonoperating Expenses	<u>(128,755)</u>
Income Before Capital Contributions	<u>260,853</u>
Capital Contributions:	
Intergovernmental capital contributions	<u>18,855</u>
Total Capital Contributions	<u>18,855</u>
Change in Net Position	279,708
Net Position:	
Beginning of the year	<u>13,806,425</u>
End of the year	<u><u>\$ 14,086,133</u></u>

See accompanying notes to basic financial statements.

TOWN OF WRENTHAM, MASSACHUSETTS

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

	<u>Business-Type Activities</u>
	<u>Water</u>
Cash Flows from Operating Activities:	
Receipts from user charges	\$ 3,337,543
Receipts from other operating revenues	6,882
Payments to employees	(946,522)
Payments to vendors	<u>(1,156,758)</u>
Net Cash Provided By Operating Activities	<u>1,241,145</u>
Cash Flows from Capital and Related Financing Activities:	
Proceeds from capital grants	82,736
Acquisition and construction of capital assets	(55,850)
Principal repayments on long-term debt	(547,894)
Interest payments	<u>(144,378)</u>
Net Cash Used In Capital and Related Financing Activities	<u>(665,386)</u>
Cash Flow from Investing Activities:	
Investment income	<u>12,587</u>
Net Cash Provided By Investing Activities	<u>12,587</u>
Change in Cash and Cash Equivalents	588,346
Cash and Cash Equivalents:	
Beginning of the year	<u>5,178,882</u>
End of the year	<u>\$ 5,767,228</u>

(continued)

TOWN OF WRENTHAM, MASSACHUSETTS

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

	<u>Business-Type Activities</u>
	<u>Water</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:	
Operating Income	\$ 389,608
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:	
Depreciation expense	624,679
Changes in assets, deferred outflows (inflows) of resources and liabilities:	
Receivables and other current assets	63,222
Warrants payable and other current liabilities	(245,896)
Accrued and deferred benefits payable	<u>409,532</u>
Net Cash Provided By Operating Activities	<u>\$ 1,241,145</u> <i>(concluded)</i>

See accompanying notes to basic financial statements.

TOWN OF WRENTHAM, MASSACHUSETTS

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

	<u>OPEB Trust</u>
Assets:	
Cash and cash equivalents	\$ 21,434
Investments in mutual funds at fair value	<u>576,424</u>
Total Assets	<u>597,858</u>
Liabilities:	
Warrants and accounts payable	<u>-</u>
Total Liabilities	<u>-</u>
Net Position:	
Restricted for other postemployment benefits	<u>597,858</u>
Total Net Position	<u>\$ 597,858</u>

See accompanying notes to basic financial statements.

TOWN OF WRENTHAM, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022

	OPEB Trust
Additions:	
Employer contributions	\$ 1,294,477
Other contributions	<u>13,500</u>
Total contributions	<u>1,307,977</u>
Investment income:	
Interest and dividends	28,644
Net depreciation in fair value of investments	(76,076)
Less investment management fees	<u>(2,312)</u>
Total net investment income	<u>(49,744)</u>
Total Additions	<u>1,258,233</u>
Deductions:	
Benefits to retirees and survivors	<u>1,194,477</u>
Total Deductions	<u>1,194,477</u>
Change in Net Position	63,756
Net Position:	
Beginning of the year	<u>534,102</u>
End of the year	<u><u>\$ 597,858</u></u>

See accompanying notes to basic financial statements.

TOWN OF WRENTHAM, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town, which is located in Norfolk County, is centrally located between the cities of Boston and Worcester, Massachusetts and Providence, Rhode Island. The Town borders the state of Rhode Island. The Town was incorporated in 1673.

The governing structure utilizes an open town meeting format with a five-member elected Board of Selectmen and an appointed Town Administrator who oversees the Town’s daily executive and administrative duties. Selectmen serve staggered three-year terms. The Town provides governmental services for the territory within its boundaries, including police and fire protection, public education, library, water services, street maintenance, veterans’ services, parks and recreational facilities. The Town provides elementary education for grades kindergarten to six; secondary education is provided through the King Phillip Regional School District. The water services are self-funded and reported as a business enterprise.

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

The King Phillip Regional School District is a joint venture between the Town and towns of Norfolk and Plainville. This joint venture assesses each community its share of operational and debt service costs based on student population and other factors. In fiscal year 2022, the Town’s assessment was \$11,631,726. There is no equity interest reported in these financial statements. Complete audited financial statements can be obtained directly from the King Phillip Regional School District’s administrative office located at 18 King Street, Norfolk, Massachusetts 02056.

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (i) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

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

The Town reports the following major governmental funds:

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

Community Preservation Fund – is a special revenue fund used to account for the accumulation of resources to purchase open space, provided for affordable housing or preservation of historical property under the guidelines of the Community Preservation Act of the Massachusetts General Laws (“MGL”). This fund was established in fiscal year 2018.

ARPA Grant Fund – was established as a major fund in fiscal year 2022 and is used to account for the Town’s expenditure of the American Rescue Plan Act of 2021.

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

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

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

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

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

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

The Town reports its water operations as a major proprietary fund.

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

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

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

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

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

Receivables – Real estate and personal property taxes are assessed on January 1 every year. Bills are sent semiannually with quarterly payments due on August 1, November 1, February 1, and May 1. Interest accrues on delinquent taxes up to the statutory percentage rate per annum. Property taxes levied are recorded as receivables in the fiscal year of the levy. User charges receivables represent amounts billed for water usage and are billed semiannually.

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

Inventories and Prepaid Items – Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase.

Certain payments to vendors reflect costs applicable to future accounting periods and, if material, are recorded as prepaid items within other current assets in both government-wide and governmental fund financial statements.

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

All purchases of machinery, equipment and vehicles as well as construction costs exceeding \$10,000 are capitalized at the date of acquisition or construction if their expected lives are greater than four years. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Building and improvements	10 to 40 years
Infrastructure	20 to 40 years
Machinery and equipment	5 to 25 years
Vehicles	5 to 10 years

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

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

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

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

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

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

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

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

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

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports deferred outflows of resources in its government-wide financial statements relative to other postemployment and pension-related transactions. The Town expects to recognize the reported deferred outflows of resources relative to these personnel-related transactions over the next six years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The Town reports deferred inflows of resources in its government-wide financial statements relative to leased property and its OPEB and pension-related transactions. The Town expects to recognize revenues related to deferred inflows of resources for leased property over the next twelve years. The deferred inflows of resources related to OPEB and pension-related transactions are expected to be recognized these amounts over the next six years. The Town reports unavailable revenues as deferred inflows of resources in its governmental funds financial statements. These amounts are expected to be recognized as an inflow of resources in the period in which the amounts become available.

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

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific use. Net position restrictions are presented as follows:

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

Expendable permanent funds represent the spendable, yet restricted, amount of various trust funds that support governmental programs.

Community preservation funds represent financial resources accumulated for community and historical preservation projects.

Revolving funds represent funds generated from activities, programs, governmental grants or services outside the general fund and must be expended on the activities, programs or services that generated the revenue.

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

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

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

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

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

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

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

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

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

E. Use of Estimates

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

F. Reclassifications

The June 30, 2021 fund balance in the Town's capital projects fund of \$212,512 was reclassified into the Town's nonmajor governmental funds' beginning fund balance in these basic financial statements.

II. Detailed Notes to All Funds

A. Deposits and Investments

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

MGL requires the Town to invest funds only in preapproved investment instruments which include, but are not necessarily limited to, bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and State Treasurer's investment pool, which is administered by the Massachusetts Municipal Depository Trust ("MMDT"). In addition, MGL imposes various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation. During the fiscal year, the Town did not enter into any repurchase agreements.

Custodial Credit Risk: Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk relative to cash holdings. The Town relies on depository insurance as well as collateralization agreements at its banking institutions to mitigate this risk. At June 30, 2022, \$3,330,469 in Town deposits were not subject to depository insurance from the Federal Deposit Insurance Corporation or other depository insurance programs and were therefore exposed to custodial credit risk.

Custodial Credit Risk: Investments – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings. In practice, the Town mitigates this risk through diversification, the prudent selection of investment instruments and choice of depository. All of the Town's investments, while held by a counterparty, are registered in the Town's name and cannot be pledged or assigned. As a result, the Town is not exposed to custodial credit risk.

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

Investments by Fair Value Level	June 30, 2022	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Debt securities:				
U.S. Treasury notes	\$ 594,722	\$ 594,722	\$ -	\$ -
U.S. Governmental agency notes	195,482	-	195,482	-
Corporate bonds	1,397,554	-	1,397,554	-
Total debt securities	2,187,758	594,722	1,593,036	-
Equity securities				
Mutual funds	354,047	354,047	-	-
	809,310	-	809,310	-
Total investments by fair value level	3,351,115	\$ 948,769	\$ 2,402,346	\$ -
Investments measured at amortized cost:				
MMDT	394,254			
Total investments	\$ 3,745,369			

Short-term investments in the MMDT are measured at amortized cost, which approximates fair value.

Concentration of Credit Risk: Investments – The Town’s investments in U.S. Treasury notes and the MMDT represented approximately 21% and 11%, respectively, of the Town’s total investments at June 30, 2022. No other individual investment exceeded 5% of total investments.

Interest Rate Risk: Investments – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. In practice, the Town mitigates this risk through diversification and managing the duration of its investments.

At June 30, 2022, the Town had the following investments and maturities:

Investment Type	Fair Value	Time Until Maturity (in years)		
		Less than 1	1 to 5	6 to 10
Debt securities:				
U.S. government and agency obligations	\$ 790,204	\$ 366,221	\$ 423,983	\$ -
Corporate bonds	1,397,554	-	1,397,554	-
Total investments with maturities	2,187,758	\$ 366,221	\$ 1,821,537	\$ -
Other investments:				
Equity securities	354,047			
Mutual funds	809,310			
MMDT	394,254			
Total investments	\$ 3,745,369			

Credit Risk: Investments – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The following table summarizes the credit ratings assigned by Moody’s Investor Services for Town investments in fixed income securities at June 30, 2022:

Moody's Rating	U.S.	
	Government and Agency Obligations	Corporate Bonds
Aaa	\$ 790,204	\$ -
A1	-	145,566
A2	-	407,786
Baa1	-	400,496
Baa2	-	443,706
	<u>\$ 790,204</u>	<u>\$ 1,397,554</u>

B. Receivables

Receivables as of June 30, 2022 for the Town’s major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Real estate taxes	\$ 371,573	\$ -	\$ 371,573
Personal property taxes	96,008	(32,000)	64,008
Tax liens	944,633	-	944,633
Motor vehicle and other excise taxes	324,094	(81,000)	243,094
Ambulance user charges	1,511,257	(1,203,000)	308,257
Other departmental	282,177	-	282,177
Intergovernmental	606,309	-	606,309
Leases	377,779	-	377,779
	<u>\$ 4,513,830</u>	<u>\$ (1,316,000)</u>	<u>\$ 3,197,830</u>

Receivables as of June 30, 2022 for the water enterprise fund were as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Water user charges	\$ 1,249,341	\$ -	\$ 1,249,341
Intergovernmental	140,636	-	140,636
	<u>\$ 1,389,977</u>	<u>\$ -</u>	<u>\$ 1,389,977</u>

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

	General Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total
Real estate and personal property taxes	\$ 208,889	\$ 6,341	\$ -	\$ 215,230
Tax liens	944,633	-	-	944,633
Motor vehicle and other excise taxes	243,094	-	-	243,094
Ambulance user charges	-	-	308,257	308,257
Other departmental	-	-	238,046	238,046
	<u>\$ 1,396,616</u>	<u>\$ 6,341</u>	<u>\$ 546,303</u>	<u>\$ 1,949,260</u>

Leases Receivable – The Town leases property to a telecommunication service provider with a lease term set to conclude in fiscal year 2034. A lease receivable has been recorded in the Town’s general fund related to this lease agreement. The net present value of future receipts from the leased property totaled \$377,779 at June 30, 2022 and is reported as leases receivable. Lease revenues and interest income related to this lease transaction totaled \$19,619 and \$11,803, respectively, in fiscal year 2022.

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 4,631,656	\$ -	\$ -	\$ 4,631,656
Capital assets being depreciated/amortized:				
Buildings and improvements	39,635,706	191,604	-	39,827,310
Infrastructure	17,726,774	50,004	-	17,776,778
Machinery and equipment	7,504,712	655,887	(14,000)	8,146,599
Vehicles	2,788,339	486,068	(52,135)	3,222,272
Total capital assets being depreciated/amortized	<u>67,655,531</u>	<u>1,383,563</u>	<u>(66,135)</u>	<u>68,972,959</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(19,592,731)	(1,089,208)	-	(20,681,939)
Infrastructure	(9,924,276)	(500,990)	-	(10,425,266)
Machinery and equipment	(4,658,075)	(548,128)	14,000	(5,192,203)
Vehicles	(1,275,980)	(264,666)	52,135	(1,488,511)
Total accumulated depreciation/amortization	<u>(35,451,062)</u>	<u>(2,402,992)</u>	<u>66,135</u>	<u>(37,787,919)</u>
Total capital assets being depreciated/amortized, net	<u>32,204,469</u>	<u>(1,019,429)</u>	<u>-</u>	<u>31,185,040</u>
Total governmental activities capital assets, net	<u>\$ 36,836,125</u>	<u>\$ (1,019,429)</u>	<u>\$ -</u>	<u>\$ 35,816,696</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-Type Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 645,101	\$ -	\$ -	\$ 645,101
Construction in-progress	149,689	-	(149,689)	-
Total capital assets not being depreciated	<u>794,790</u>	<u>-</u>	<u>(149,689)</u>	<u>645,101</u>
Capital assets being depreciated:				
Buildings and improvements	148,502	-	-	148,502
Infrastructure	21,575,261	44,642	-	21,619,903
Machinery and equipment	163,342	160,897	-	324,239
Vehicles	990,558	-	-	990,558
Total capital assets being depreciated	<u>22,877,663</u>	<u>205,539</u>	<u>-</u>	<u>23,083,202</u>
Less accumulated depreciation for:				
Buildings and improvements	(122,527)	(2,450)	-	(124,977)
Infrastructure	(7,862,766)	(512,901)	-	(8,375,667)
Machinery and equipment	(110,934)	(24,379)	-	(135,313)
Vehicles	(531,045)	(84,949)	-	(615,994)
Total accumulated depreciation	<u>(8,627,272)</u>	<u>(624,679)</u>	<u>-</u>	<u>(9,251,951)</u>
Total capital assets being depreciated, net	<u>14,250,391</u>	<u>(419,140)</u>	<u>-</u>	<u>13,831,251</u>
Total business-type activities capital assets, net	<u>\$ 15,045,181</u>	<u>\$ (419,140)</u>	<u>\$ (149,689)</u>	<u>\$ 14,476,352</u>

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

General government	\$ 191,042
Public safety	604,673
Education	740,063
Public works	691,708
Health and human services	5,389
Culture and recreation	<u>170,117</u>
	<u>\$ 2,402,992</u>

D. Interfund Transfers

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

Transfers Out	Transfers In		
	General Fund	Nonmajor Governmental Funds	Total
General Fund	\$ -	\$ 102,529	\$ 102,529 (1)
Nonmajor Governmental Funds	<u>797,258</u>	<u>-</u>	<u>797,258 (2)</u>
	<u>\$ 797,258</u>	<u>\$ 102,529</u>	<u>\$ 899,787</u>

(1) Fund deficit in police details.

(2) Budgeted transfers to supplement 2023 operating budget.

E. Temporary Debt

The Town is authorized to borrow on a temporary or short-term basis to fund the current operating costs (generally through revenue or tax anticipation notes) or capital projects (generally through grant or bond anticipation notes). Temporary notes are general obligations of the Town and carry maturity dates that are limited by state law. Interest expenditures and expenses for temporary borrowings are accounted for in the generally fund and enterprise funds, whichever is applicable.

The Town did not have any temporary or short-term notes issued at any time in fiscal year 2022.

F. Long-Term Obligations

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

The following reflects the fiscal year 2022 activity in the Town's long-term liability accounts:

Description of Issue	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
General obligation bonds	\$ 2,516,500	\$ -	\$ (491,500)	\$ 2,025,000	\$ 490,000
Unamortized bond premium	200,146	-	(49,144)	151,002	37,987
Direct borrowings and placements	76,914	-	(20,203)	56,711	20,203
Lease liabilities	769,033	-	(171,788)	597,245	177,521
Compensated absences	302,260	5,277	(6,695)	300,842	75,211
Net OPEB liability	58,971,871	14,696,930	(27,453,134)	46,215,667	-
Net pension liability	13,971,652	3,104,170	(7,206,514)	9,869,308	-
Total Governmental Activities	<u>\$ 76,808,376</u>	<u>\$ 17,806,377</u>	<u>\$ (35,398,978)</u>	<u>\$ 59,215,775</u>	<u>\$ 800,922</u>
<i>Business-Type Activities - Water:</i>					
General obligation bonds	\$ 4,703,500	\$ -	\$ (298,500)	\$ 4,405,000	\$ 295,000
Unamortized bond premium	268,513	-	(31,240)	237,273	28,942
Direct borrowings and placements	685,232	-	(218,154)	467,078	223,154
Compensated absences	12,251	5,779	-	18,030	4,508
Net OPEB liability	1,332,732	1,133,637	(876,781)	1,589,588	-
Net pension liability	687,515	152,749	(354,617)	485,647	-
Total Business-Type Activities - Water	<u>\$ 7,689,743</u>	<u>\$ 1,292,165</u>	<u>\$ (1,779,292)</u>	<u>\$ 7,202,616</u>	<u>\$ 551,604</u>

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

General obligation bonds and notes payable outstanding at June 30, 2022 were as follows:

Description of Issue	Interest Rates	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>					
General obligation bonds	2.00% - 5.25%	\$ 2,516,500	\$ -	\$ (491,500)	\$ 2,025,000
MCWT notes payable	2.00%	76,914	-	(20,203)	56,711
Total Governmental Activities		<u>\$ 2,593,414</u>	<u>\$ -</u>	<u>\$ (511,703)</u>	<u>\$ 2,081,711</u>
<i>Business-Type Activities - Water:</i>					
General obligation bonds	2.00% - 4.00%	\$ 4,703,500	\$ -	\$ (298,500)	\$ 4,405,000
MCWT notes payable	2.00%	685,232	-	(218,154)	467,078
Total Business-Type Activities - Water		<u>\$ 5,388,732</u>	<u>\$ -</u>	<u>\$ (516,654)</u>	<u>\$ 4,872,078</u>

Debt service requirements on long-term debt at June 30, 2022 were as follows:

Year Ended June 30,	Governmental Activities			
	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2023	\$ 490,000	\$ 60,594	\$ 20,203	\$ 255
2024	295,000	49,019	10,000	-
2025	255,000	37,919	10,000	-
2026	255,000	27,969	10,000	-
2027	120,000	20,719	3,254	-
2028 - 2032	400,000	52,160	3,254	-
2033 - 2037	175,000	13,125	-	-
2038	35,000	525	-	-
	<u>\$ 2,025,000</u>	<u>\$ 262,030</u>	<u>\$ 56,711</u>	<u>\$ 255</u>

Year Ended June 30,	Business-Type Activities: Water			
	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2023	\$ 295,000	\$ 129,925	\$ 223,154	\$ 10,604
2024	295,000	119,150	228,154	-
2025	295,000	108,375	3,154	-
2026	295,000	97,325	12,616	-
2027	290,000	97,325	-	-
2028 - 2032	1,345,000	330,750	-	-
2033 - 2037	950,000	135,750	-	-
2038 - 2041	640,000	40,000	-	-
	<u>\$ 4,405,000</u>	<u>\$ 1,058,600</u>	<u>\$ 467,078</u>	<u>\$ 10,604</u>

Authorized and Unissued Debt – At June 30, 2022, the Town authorized \$1,950,000 in long-term debt for water meter replacements for which is had not yet issued this debt.

G. Lease Liabilities

The Town is party to noncancellable leases for the purchase of certain fire safety equipment. For financial reporting purposes, these leases have been capitalized. Lease payment requirements are of June 30, 2022 were as follows:

Year Ended June 30,	Principal	Interest	Total
2023	\$ 177,521	\$ 18,760	\$ 196,281
2024	128,057	12,832	140,889
2025	131,921	8,968	140,889
2026	78,645	4,987	83,632
2026	<u>81,101</u>	<u>2,531</u>	<u>83,632</u>
	<u>\$ 597,245</u>	<u>\$ 48,078</u>	<u>\$ 645,323</u>

The historical costs, accumulated amortization and net carrying value of assets under lease were as follows at June 30, 2022:

Fire engine	\$ 615,827
Ambulance	266,917
SCBA equipment	<u>266,625</u>
Leased assets at cost	1,149,369
Less accumulated amortization	<u>(210,335)</u>
Leased assets, net	<u>\$ 939,034</u>

H. Tax Abatements

The Town may enter into property tax abatements with local business as an incentive for economic growth. The agreements are commonly referred to as tax increment financing, or TIF, agreements. Under MGL, property owners may be granted property tax abatements of up to 100% of the value of a tax increment for a maximum term of twenty years provided the property is located in a TIF zone. TIF zones are approved by the Massachusetts Economic Assistance Coordinating Council. The Town’s Board of Selectmen must approve all TIF agreements.

At June 30, 2022, the Town had a single ten-year TIF agreement in place with a manufacturer that was initiated in fiscal year 2018. Under the terms of the TIF agreement, the manufacturer was provided a 100% property tax abatement on the value of the improved real property, which phases down 10% each year. The property owner committed to additional hiring (with a preference to qualified Town residents, retention of its current employment base, an investment of approximately \$2 million to the property and the timely payment of all taxes owed to the Town. In fiscal year 2022, the Town abated \$1,531 related to this TIF agreement.

I. Fund Balances

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

	General	Community Preservation Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Nonexpendable permanent funds	\$ -	\$ -	\$ 336,688	\$ 336,688
Restricted:				
Expendable permanent funds	-	-	246,923	246,923
General government	-	-	521,443	521,443
Public safety	-	-	1,999,247	1,999,247
Education	-	-	1,355,990	1,355,990
Public works	-	-	191,830	191,830
Community preservation	-	1,334,031	-	1,334,031
Capital projects	-	-	212,512	212,512
Other purposes	-	-	473,065	473,065
Committed:				
General government	83,960	-	-	83,960
Public works	78,000	-	-	78,000
Other purposes	18,581	-	-	18,581
Assigned:				
General government	203,588	-	-	203,588
Public safety	179,579	-	-	179,579
Public works	34,730	-	-	34,730
Other purposes	37,948	-	-	37,948
Subsequent year's budget	1,995,026	-	-	1,995,026
Unassigned:				
Capital improvements stabilization	492,597	-	-	492,597
General stabilization	1,861,205	-	-	1,861,205
Unrestricted	3,738,182	-	(177,663)	3,560,519
	<u>\$ 8,723,396</u>	<u>\$ 1,334,031</u>	<u>\$ 5,160,035</u>	<u>\$ 15,217,462</u>

The ARPA grant fund was not presented in the table above as it had no fund balance at June 30, 2022.

Stabilization Funds – The Town maintains two stabilization funds. The general stabilization fund may be used for any municipal purpose upon a two-thirds vote of the Town Meeting. The capital improvements stabilization fund may be used for capital items upon a two-thirds vote of the Town Meeting. Both the general and capital stabilization funds are reported as components of the Town's unassigned fund balance.

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

J. Fund Deficits and Excess of Expenditures over Appropriations

The Town reported \$177,663 in material deficits in its nonmajor governmental funds at June 30, 2022. The Town expects to cure these deficits through the future receipt of federal and state grant awards.

The Town expended \$114,730 in excess of appropriations in fiscal year 2022 in its state and county charges budget. This was due primarily to higher-than-expected charter school assessments. The Town will raise this deficit in its fiscal year 2023 property taxes.

III. Other Information

A. Retirement System

Pension Plan Description – The Town contributes to the Norfolk County Retirement System (the “Retirement System”), a cost-sharing multiple-employer defined benefit pension plan. The Retirement System was established under Chapter 32 of MGL. The Retirement System is administered by the Norfolk County Retirement Board (the “Retirement Board”). Stand-alone financial statements for the year ended December 31, 2021 were issued and are available by submitting a request to the Retirement System at 480 Neponset Street, Building No. 15, Canton, Massachusetts 02021.

Current membership in the Retirement System for all forty-one employers as of December 31, 2021 was as follows:

Active members	6,685
Inactive members entitled to, but not receiving benefits	3,098
Inactive members (or beneficiaries) receiving benefits	<u>3,728</u>
	<u>13,511</u>

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

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

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

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

The Retirement System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws. There were no significant changes to the Retirement System's benefit terms in fiscal year 2022.

Contributions Requirements – Under current MGL, the Retirement System is required to be fully funded by June 30, 2040. Participating employers to the Retirement System are assessed their proportionate share of the total annual pension appropriation. The Town contributed \$2,407,240 to the Retirement System in fiscal year 2022, which equaled the actuarially-determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll were approximately 23% in fiscal year 2022.

Net Pension Liability – At June 30, 2022, the Town reported a liability of \$10,354,955 for its proportionate share of the net pension liability. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020 and rolled forward to December 31, 2021, the measurement date. There were no material changes to the Retirement System's benefit terms since the actuarial valuation. There were no material changes in assumption made in this update to from the full actuarial valuation.

The Town's proportion of the net pension liability is based on a projection of the Town's long-term share of contributions to the Retirement System relative to the projected contributions of all employers. The Town's proportion was approximately 2.81% at December 31, 2021, which was slightly lower than its proportionate share at December 31, 2020 (2.87%).

Fiduciary Net Position – The elements of the Retirement System’s basic financial statements (that is, all information about the Retirement System’s assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position) can be found in the Retirement System’s full financial statements as of and for the year ended December 31, 2021, which can be obtained by contacting the Retirement Board.

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

Pension Expense – The Town recognized \$760,508 in pension expense in the statement of activities in fiscal year 2022.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 1,047,394	\$ -
Net difference between projected and actual earnings	-	3,831,356
Changes in proportion and differences between Town contributions and proportionate share of contributions	<u>151,998</u>	<u>235,828</u>
	<u>\$ 1,199,392</u>	<u>\$ 4,067,184</u>

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

<u>Year ended June 30,</u>	
2023	\$ (210,107)
2024	(1,183,984)
2025	(745,538)
2026	<u>(728,163)</u>
	<u>\$ (2,867,792)</u>

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

Actuarial cost method	Entry age normal
Asset valuation method	Market value
Investment rate of return	7.75% per annum
Projected salary increases	3.50 to 5.50% per annum
Inflation	3.0% per annum
Cost of living increases	3.00% on first \$18,000 of retirement income
Mortality	RP-2014 Blue Collar Mortality Table with Scale MP-2014

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the Retirement System’s target allocation as of December 31, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Policy Range</u>	<u>Long-Term</u>
		<u>Expected Real Rate of Return</u>
Domestic equity	30.5%	7.0%
International equity	15.5%	7.7%
Fixed income	20.5%	4.3%
Real estate	9.5%	6.9%
Private equity	10.0%	9.4%
Hedge funds	11.5%	8.6%
Real assets	2.5%	8.9%

Discount Rate – The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially-determined contribution rates and the member rate. Based on those assumptions, the Retirement System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis – The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.75% as well as the Town’s proportionate share of the net pension liability using a discount rate that is 1% lower or higher than the current rate:

<u>Current Discount Rate</u>	<u>Net Pension Liability At</u>		
	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
7.75%	\$ 15,611,321	\$ 10,354,955	\$ 5,887,866

B. Massachusetts Teachers Retirement System

Teachers and certain administrative employees of the Town’s school department participate in the Massachusetts Teachers’ Retirement System (“MTRS”), a cost-sharing multiple employer defined benefit pension plan. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. Like the Retirement System, MTRS was established under Chapter 32 of MGL. The Commonwealth’s legislature has the authority to amend or modify the MTRS’s funding policies.

The Commonwealth is a nonemployer contributor to the MTRS and is legally responsible by statute for all actuarially determined employer contributions and future benefit requirements of the MTRS. Therefore, the Town is considered to be in a special funding situation as defined under GAAP.

For the year ended June 30, 2022, the Commonwealth contributed \$1,891,404 to the MTRS on behalf of the Town. The Town’s proportionate share of the collective MTRS net pension liability at this reporting date was 0.108%, which was based on the actual, actuarially determined contribution made by the Commonwealth on behalf of the Town as a percentage of the total annual contribution made by the Commonwealth on behalf of all employers.

The net pension liability assumed by the Commonwealth on behalf of the Town at June 30, 2022 was \$24,562,934. The pension expense assumed by the Commonwealth on behalf of the Town for fiscal year 2022 was \$1,971,073. The Town recognized \$1,971,073 in intergovernmental revenue and pension expense relative to this arrangement.

MTRS issues certain financial information to the public on its website – www.mass.gov/mtrs. A more detailed discussion of its funding policies, actuarial assumptions and other inputs used to measure total pension liability may be found there.

C. Other Postemployment Benefits

The Town administers a single-employer defined benefit healthcare plan (the “OPEB Plan”). The OPEB Plan provides health and life insurance benefits (other postemployment benefits) to current and future retirees, their dependents and beneficiaries.

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

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of June 30, 2022:

Inactive employees or beneficiaries receiving benefits	116
Active employees	<u>272</u>
	<u>388</u>

Contributions – The contribution requirements of OPEB Plan members and the Town are established and may be amended by the Town. Retirees contribute 25% of the calculated health and life insurance premiums; the remainder is paid by the Town. The Town currently contributes enough money to the OPEB Plan to satisfy current obligations on a pay-as-you-go basis plus additional contributions in varying amounts annually. The costs of administering the OPEB Plan are paid by the Town.

Net OPEB Liability – The Town’s net OPEB liability was determined using an actuarial valuation as of July 1, 2021 and a measurement date of June 30, 2022. The components of the net OPEB Liability of the Town at June 30, 2022 were as follows:

Total OPEB liability	\$ 48,403,113
Plan fiduciary net position	<u>(597,858)</u>
Net OPEB liability	<u>\$ 47,805,255</u>
Plan fiduciary net position as a percentage of the total OPEB liability	1.2%

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

Actuarial cost method	Individual entry age normal
Asset valuation method	Market value of assets as of reporting date
Healthcare cost trend rates	7.5% decreasing 0.6% per year to 5.7% then grading down to an ultimate trend of 3.9% in 2075
Inflation	2.4% per year
Investment rate of return	6.75%
Discount rate	3.54% (previously 2.16%)
Pre-retirement mortality rates	Teachers: PUB-2010 Teachers Headcount-Weighted Employee Mortality Table, base year 2010, projected with generational mortality using Scale MP-2020 General: RP-2014 Employees Blue Collar Mortality Table, projected with generational mortality improvement using Scale MP-2020
Post-retirement mortality rates	Teachers: PUB-2010 Teachers Headcount-Weighted Retiree Mortality Table, base year 2010, projected with generational mortality using Scale MP-2020 General: RP-2014 Healthy Annuitant Blue Collar Mortality Table, projected with generational mortality improvement using Scale MP-2020
Disabled retiree mortality rates	Teachers: PUB-2010 Teachers Headcount-Weighted Disabled Mortality Table, base year 2010, projected with generational mortality using Scale MP-2020 General: RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2020

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	53%	7.08%
International equity - developed markets	6%	6.63%
International equity - emerging markets	3%	8.46%
Core fixed income	21%	1.12%
High-yield fixed income	3%	4.02%
Alternatives	9%	2.97%
Real estate	4%	7.71%
Cash	1%	0.00%

Discount Rate – The discount rate used to measure the total OPEB liability was 3.54% (previously 2.16%), which represents the yield or index rate for twenty-year, tax-exempt general obligation municipal bonds with an average rate of AA/Aa or higher at June 30, 2022 as shown in the Bond Buyer 20-Bond General Obligation Index.

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2022:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	<i>(a)</i>	<i>(b)</i>	<i>(a) - (b)</i>
Balances at June 30, 2021	\$ 60,838,826	\$ 534,223	\$ 60,304,603
Changes for the year:			-
Service cost	3,248,961	-	3,248,961
Interest	1,371,396	-	1,371,396
Changes in benefit terms	(7,627,800)	-	(7,627,800)
Changes in assumptions	(8,758,294)	-	(8,758,294)
Experience differences	524,501	-	524,501
Employer contributions	-	1,307,977	(1,307,977)
Net investment income (loss)	-	(49,865)	49,865
Benefit payments	(1,194,477)	(1,194,477)	-
Net changes	(12,435,713)	63,635	(12,499,348)
Balances at June 30, 2022	\$ 48,403,113	\$ 597,858	\$ 47,805,255

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

Current Discount Rate	Net OPEB Liability At		
	1% Decrease	Current Rate	1% Increase
3.54%	\$ 57,138,412	\$ 47,805,255	\$ 40,487,511

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

Healthcare Cost	Net OPEB Liability At		
	1% Decrease	Current Rate	1% Increase
Ultimate Rate of 3.9%	\$ 39,303,441	\$ 47,805,255	\$ 59,063,147

OPEB Expense/Benefit and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2022, the Town recognized OPEB benefit of \$2,391,280. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2022 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,116,172	\$ 3,737,753
Changes of assumptions	8,316,428	8,378,847
Net difference between projected and actual earnings on OPEB plan investments	25,377	-
	<u>\$ 9,457,977</u>	<u>\$ 12,116,600</u>

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

<u>Year ended June 30,</u>	
2023	\$ 657,005
2024	666,821
2025	226,033
2026	(875,754)
2027	(980,213)
Thereafter	<u>(2,352,515)</u>
	<u>\$ (2,658,623)</u>

Investment Custody – In accordance with MGL, the Town Treasurer is the custodian of the OPEB Plan and as such is responsible for the general supervision of the management, investment and reinvestment of the OPEB Plan assets. OPEB Plan assets may be invested and reinvested by the custodian consistent with the prudent investor rule established under MGL. OPEB Plan assets must be segregated from other funds and not be subject to the claims of any general creditor of the Town.

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

Investment Rate of Return – For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was approximately -8.17%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Risk Financing

The Town is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; natural disasters; and various employee benefits including health, worker's compensation, and unemployment compensation. The Town essentially transfers its risk through payment of its annual assessment, which is adjusted according to the Town's experience history. All insurance except health (see below) is carried through conventional, commercial carriers.

The Town is a member of the West Suburban Health Group ("WSHG"), a public entity risk pool established in accordance with MGL. WSHG is a common risk management and insurance program servicing thirteen towns, two educational collaborative and one school district. The Town pays a monthly premium to WSHG for its health insurance coverage for all active and retired employees. The Municipal Health Group Agreement for Joint Negotiation and Purchase of Health Coverage provides that WSHG will be self-insured through member assessments and will reinsure through commercial companies for claims in excess of \$100,000 per individual policy year. Town management and WSHG believe that member assessments are adequate to meet all claims incurred but not reported as of June 30, 2022.

E. Commitments and Contingencies

Litigation – The Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability, if any, at June 30, 2022, cannot be determined, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2022.

Appellate Tax Board – From time to time, the Town has pending cases filed with the Massachusetts Appellate Tax Board of the Commonwealth of Massachusetts ("ATB"). At June 30, 2022, there were two outstanding cases at ATB. The Town cannot estimate at this time the amount of previously assessed property taxes (and interest) that may be refunded to these taxpayers, if any. Furthermore, the Town cannot determine the likelihood of the taxpayers' success at the ATB. Therefore, no such loss provision has been made in the Town's basic financial statements.

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

F. Economic Dependence

During the year ended June 30, 2022, approximately 15% of revenues of the general fund were recognized from the Commonwealth and the federal government.

IV. Implementation of New GASB Pronouncements

A. Current Year Implementations

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefined the manner in which long-term leases are accounted and reported. As amended, the provisions of this Statement became effective in fiscal year 2022. The adoption of this standard required the Town to increase its beginning balances in accounts receivable and deferred inflows of resources in the amount of \$397,398 in its general fund.

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement established accounting requirements for interest costs incurred before the end of a construction period. As amended, the provisions of this Statement became effective in fiscal year 2022. The adoption of this standard did not have a material impact on the Town's financial statements.

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

B. Future Year Implementations

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

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

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

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

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

* * * * *

TOWN OF WRENTHAM, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLAN**

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

(dollar amounts are in thousands)

Year Ended June 30,	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	2.810%	\$ 10,355	\$ 10,686	96.9%	79.4%
2021	2.870%	14,659	9,435	155.4%	70.2%
2020	2.865%	16,823	9,116	184.5%	64.6%
2019	2.778%	18,085	8,909	203.0%	58.3%
2018	2.773%	15,332	8,608	178.1%	63.5%
2017	2.830%	14,778	8,213	179.9%	61.6%
2016	2.830%	15,379	7,741	198.7%	58.6%
2015	2.810%	14,594	6,914	211.1%	60.1%

SCHEDULE OF THE TOWN'S CONTRIBUTIONS TO THE PENSION PLAN

(dollar amounts are in thousands)

Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2022	\$ 2,407	\$ 2,407	\$ -	\$ 10,686	22.5%
2021	2,299	2,299	-	9,435	24.4%
2020	2,146	2,146	-	9,116	23.5%
2019	1,944	1,944	-	8,909	21.8%
2018	1,778	1,778	-	8,608	20.7%
2017	1,569	1,569	-	8,213	19.1%
2016	1,423	1,423	-	7,741	18.4%
2015	1,362	1,362	-	6,914	19.7%

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

See accompanying independent auditors' report.

TOWN OF WRENTHAM, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
MASSACHUSETTS TEACHERS RETIREMENT SYSTEM PENSION PLAN

**SCHEDULE OF THE COMMONWEALTH'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**
(dollar amounts are in thousands)

For the Year Ended June 30, *	Commonwealth's Proportion of the MTRS Net Pension Liability	Town's Proportion of the MTRS Net Pension Liability	Commonwealth's Proportionate Share of the MTRS Net Pension Liability On Behalf of the Town	Commonwealth's Actuarially Determined Contribution	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	100%	0%	\$ 24,563	\$ 1,891	62.0%
2021	100%	0%	30,259	1,647	50.7%
2020	100%	0%	27,672	1,584	53.9%
2019	100%	0%	25,562	1,417	54.8%
2018	100%	0%	24,726	1,335	54.3%
2017	100%	0%	23,485	1,181	52.7%
2016	100%	0%	16,758	988	55.4%

* Amounts determined for the previous year ended June 30.

Contributions to the MTRS are the responsibility of the Commonwealth of Massachusetts. Accordingly, the Town has not recognized any portion of the net pension liability relative to Town employees covered under the MTRS pension plan.

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

See accompanying independent auditors' report.

TOWN OF WRENTHAM, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN**

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

(dollar amounts are in thousands)

	Year Ended June 30,					
	2022	2021	2020	2019	2018	2017
Total OPEB Liability:						
Service cost	\$ 3,248	\$ 3,154	\$ 2,010	\$ 1,753	\$ 1,631	\$ 1,788
Interest	1,371	1,318	1,724	1,705	1,563	1,350
Changes in benefit terms	(7,628)	-	-	-	(1,721)	-
Experience differences	525	-	(7,476)	-	3,924	-
Changes in assumptions	(8,758)	518	14,191	2,628	(3,979)	(5,567)
Benefit payments	(1,194)	(1,256)	(1,179)	(1,108)	(1,183)	(1,045)
Net Change in Total OPEB Liability	(12,436)	3,734	9,270	4,978	235	(3,474)
Total OPEB Liability:						
Beginning of year	60,839	57,105	47,835	42,857	42,622	46,096
End of year (a)	<u>\$ 48,403</u>	<u>\$ 60,839</u>	<u>\$ 57,105</u>	<u>\$ 47,835</u>	<u>\$ 42,857</u>	<u>\$ 42,622</u>
Plan Fiduciary Net Position:						
Contributions	\$ 1,308	\$ 1,226	\$ 1,349	\$ 1,228	\$ 1,283	\$ 1,045
Net investment income (loss)	(50)	115	9	15	5	-
Benefit payments	(1,194)	(1,226)	(1,179)	(1,108)	(1,183)	(1,045)
Net Change in Plan Fiduciary Net Position	64	115	179	135	105	-
Plan Fiduciary Net Position:						
Beginning of year	534	419	240	105	-	-
End of year (b)	<u>\$ 598</u>	<u>\$ 534</u>	<u>\$ 419</u>	<u>\$ 240</u>	<u>\$ 105</u>	<u>\$ -</u>
Net OPEB Liability — End of Year (a) - (b)	<u>\$ 47,805</u>	<u>\$ 60,305</u>	<u>\$ 56,686</u>	<u>\$ 47,595</u>	<u>\$ 42,752</u>	<u>\$ 42,622</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.24%	0.88%	0.73%	0.50%	0.25%	0.00%
Covered payroll	\$ 18,874	N/A	N/A	N/A	N/A	\$ 17,023
Net OPEB Liability as a Percentage of Covered Payroll	253.28%	N/A	N/A	N/A	N/A	250.38%

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

See accompanying independent auditors' report.

TOWN OF WRENTHAM, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN**

SCHEDULE OF CONTRIBUTIONS

(dollar amounts are in thousands)

	Year Ended June 30,					
	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 5,138	\$ 2,751	\$ 2,595	\$ 1,381	\$ 2,311	\$ 2,771
Contributions in relation to the actuarially-determined contribution	<u>(1,308)</u>	<u>(1,256)</u>	<u>(1,349)</u>	<u>(1,228)</u>	<u>(1,183)</u>	<u>(1,145)</u>
Contribution deficiency (excess)	<u>\$ 3,830</u>	<u>\$ 1,495</u>	<u>\$ 1,246</u>	<u>\$ 153</u>	<u>\$ 1,128</u>	<u>\$ 1,626</u>
Covered payroll	\$ 18,874	N/A	N/A	N/A	N/A	\$ 17,023
Contribution as a percentage of covered payroll	6.93%	N/A	N/A	N/A	N/A	6.73%

Notes to Schedule:

Asset valuation method	Market value as of the reporting/measurement date
Actuarial cost method	Individual entry age normal
Investment rate of return	6.75% per annum
Single equivalent discount rate	3.54% (previously 2.16%)

SCHEDULE OF INVESTMENT RETURNS

	Year Ended June 30,					
	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expenses	-8.17%	27.48%	2.25%	7.06%	5.80%	-0.80%

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

See accompanying independent auditors' report.

TOWN OF WRENTHAM, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual Budgetary Amounts	Articles and Encumbrances	Actual Budgetary Adjusted	Positive (Negative) Variance
	Original Budget	Final Budget				
Revenues:						
Property taxes, net of tax refunds	\$ 37,980,240	\$ 37,980,240	\$ 38,216,840		\$ 38,216,840	\$ 236,600
Intergovernmental	5,138,611	5,138,611	5,457,016		5,457,016	318,405
Motor vehicle and other excise taxes	2,178,000	2,178,000	2,907,596		2,907,596	729,596
Licenses and permits	550,000	550,000	803,829		803,829	253,829
Penalties and interest on taxes	130,000	130,000	176,057		176,057	46,057
Fines and forfeitures	50,000	50,000	69,104		69,104	19,104
Departmental and other revenues	347,500	347,500	896,654		896,654	549,154
Investment income	61,800	61,800	41,193		41,193	(20,607)
Total Revenues	46,436,151	46,436,151	48,568,289		48,568,289	2,132,138
Expenditures:						
General government	4,110,816	4,110,816	3,390,740	\$ 287,548	3,678,288	432,528
Public safety	6,887,312	6,887,312	6,618,696	179,579	6,798,275	89,037
Education	26,192,128	26,192,128	26,049,494	27,915	26,077,409	114,719
Public works	2,625,644	2,871,363	2,530,931	112,730	2,643,661	227,702
Health and human services	497,448	497,448	442,782	60	442,842	54,606
Culture and recreation	533,729	533,729	497,781	-	497,781	35,948
Pension and fringe benefits	8,138,560	8,138,560	7,741,342	9,973	7,751,315	387,245
State and county charges	1,334,212	1,334,212	1,448,942	-	1,448,942	(114,730)
Debt service	546,694	546,694	541,647	-	541,647	5,047
Total Expenditures	50,866,543	51,112,262	49,262,355	\$ 617,805	49,880,160	1,232,102
Other Financing Sources (Uses):						
Transfers in	1,361,626	1,361,626	1,361,626		1,361,626	-
Transfers out	(102,529)	(102,529)	(102,529)		(102,529)	-
Total Other Financing Sources (Uses)	1,259,097	1,259,097	1,259,097		1,259,097	-
(Deficiency) Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(3,171,295)	(3,417,014)	\$ 565,031		\$ (52,774)	\$ 3,364,240
Other Budgetary Items:						
Prior year encumbrances	1,035,810	1,035,810				
Free cash	2,146,467	2,392,186				
Other items	(10,982)	(10,982)				
Total Other Budgetary Items	3,171,295	3,417,014				
Net Budget	\$ -	\$ -				

See notes to required supplementary information.

See accompanying independent auditors' report.

TOWN OF WRENTHAM, MASSACHUSETTS

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

An annual budget is legally adopted for the general fund. Financial orders are initiated by the Town Administrator, recommended by the Town Finance Committee and approved at the annual Town meeting each spring. At the close of each fiscal year, unencumbered appropriation balances lapse and revert to unassigned fund balance. Unspent funds from continuing appropriations such as capital articles are carried forward into the subsequent fiscal year and are available for spending.

The Town adopts an annual budget for the general fund in conformity with the guidelines described above. The Town Accountant is responsible to ensure that budgetary control is maintained in the manner in which the appropriations were voted by Town Meeting. Budgetary control is exercised through the Town’s accounting system.

The Town’s general fund is prepared on a basis of accounting other than GAAP. The “actual” results column of the Schedule of Revenues, Expenditures and Changes in Fund Equity – Budgetary Basis is presented on a budgetary basis to provide meaningful comparison with the budget. A reconciliation of reported balances is provided below:

	<u>Basis of Accounting Differences</u>	<u>Fund Perspective Differences</u>	<u>Total</u>
Revenues — budgetary basis			\$ 48,568,289
Revenue recognition	\$ 9,760	\$ -	9,760
Stabilization revenue	-	(58,526)	(58,526)
MTRS on-behalf pension payments	<u>1,971,073</u>	<u>-</u>	<u>1,971,073</u>
Revenues — GAAP basis	<u>\$ 1,980,833</u>	<u>\$ (58,526)</u>	<u>\$ 50,490,596</u>
Expenditures — budgetary basis			\$ 49,262,355
Expense recognition	\$ (90,000)	\$ -	(90,000)
Transfer treatment - indirect costs	-	(564,368)	(564,368)
MTRS on-behalf pension payments	<u>1,971,073</u>	<u>-</u>	<u>1,971,073</u>
Expenditures — GAAP basis	<u>\$ 1,881,073</u>	<u>\$ (564,368)</u>	<u>\$ 50,579,060</u>
Other Financing Sources — budgetary basis			\$ 1,259,097
Transfer treatment - indirect costs	<u>\$ -</u>	<u>\$ (564,368)</u>	<u>(564,368)</u>
Other Financing Sources — GAAP basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 694,729</u>