



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

TOWN OF BILLERICA, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2023

TOWN OF BILLERICA, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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Independent Auditor's Report

To the Honorable Select Board
Town of Billerica, Massachusetts

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2024, on our consideration of the Town of Billerica, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Billerica, Massachusetts' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Billerica, Massachusetts' internal control over financial reporting and compliance.

Powers & Sullivan, LLC

April 30, 2024

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Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Billerica, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2023. We encourage readers to consider the information presented in this report.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The government-wide financial statements provide both long-term and short-term information about the Town as a whole. The fund financial statements focus on the individual components of the Town government, reporting the Town's operations in more detail than the government-wide statements. Both presentations (government-wide and fund based) allow the user to address relevant questions, broaden the basis of comparison and enhance the Town's accountability. An additional part of the basic financial statements are the notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *statement of net position* presents information on all assets and deferred outflows of resources and all 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 is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, education, public works, human services, culture and recreation, community preservation, and interest.

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

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

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

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The Town's general fund and American Rescue Plan Act (ARPA) fund are considered major funds for presentation purposes. The major funds are presented in separate columns in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. The remaining governmental funds are aggregated and shown as nonmajor governmental funds.

Proprietary funds. The Town maintains two types of proprietary 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 and sewer operations.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. The Town uses its internal service fund to account for self-insured health insurance 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.

The Town uses fiduciary funds to account for its Other Postemployment Benefits Trust and its Private Purpose Trust Fund.

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

Financial Highlights. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's governmental liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources for governmental activities by \$128.8 million and the business-type assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$93.8 million at the close of the most recent year. Key components of the Town's activities are presented on the following pages.

Governmental Activities

Governmental net position of \$192.0 million reflects investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net position, \$9.1 million, represents resources that are subject to external restrictions on how they may be used. At June 30, 2023, the remaining balance of *unrestricted net position* has a deficit balance of \$329.9 million. The primary reason for this deficit balance is the recognition of the net OPEB and net pension liabilities of \$215.3 million and \$148.8 million, respectively.

	2023	2022
Assets:		
Current assets.....	\$ 110,207,155	\$ 118,386,725
Capital assets, non depreciable.....	45,081,211	33,915,796
Capital assets, net of accumulated depreciation.....	271,743,206	270,381,621
Total assets.....	427,031,572	422,684,142
Deferred outflows of resources.....	27,187,946	20,250,729
Liabilities:		
Current liabilities (excluding debt).....	20,101,017	19,012,622
Noncurrent liabilities (excluding debt).....	366,063,801	388,616,808
Current debt.....	10,595,467	29,850,233
Noncurrent debt.....	115,530,233	100,693,700
Total liabilities.....	512,290,518	538,173,363
Deferred inflows of resources.....	70,696,311	41,621,244
Net position:		
Net investment in capital assets.....	192,046,569	176,403,861
Restricted.....	9,079,020	8,338,141
Unrestricted.....	(329,892,900)	(321,601,738)
Total net position.....	\$ (128,767,311)	\$ (136,859,736)

	2023	2022
Program Revenues:		
Charges for services..... \$	13,482,763	\$ 14,050,864
Operating grants and contributions.....	41,274,807	40,449,635
Capital grants and contributions.....	5,498,298	3,840,940
General Revenues:		
Real estate and personal property taxes, net of tax refunds payable.....	143,133,792	134,153,265
Tax and other liens.....	1,356,487	2,240,852
Motor vehicle and other excise taxes.....	7,473,619	7,304,552
Hotel/motel tax.....	909,217	533,231
Meals tax.....	650,864	616,205
Cannabis tax.....	326,908	-
Community preservation tax.....	1,148,383	1,046,960
Penalties and interest on taxes.....	576,918	425,080
Grants and contributions not restricted to specific programs.....	7,299,129	6,885,766
Unrestricted investment income (loss).....	2,988,883	(89,476)
Total revenues.....	226,120,068	211,457,874
Expenses:		
General government.....	13,267,816	14,360,859
Public safety.....	39,118,998	36,657,920
Education.....	136,063,155	131,269,682
Public works.....	13,471,610	12,799,905
Human services.....	2,530,320	2,317,525
Culture and recreation.....	5,377,329	5,079,082
Community preservation.....	566,286	158,522
Interest.....	3,549,323	3,545,731
Total expenses.....	213,944,837	206,189,226
Excess (Deficiency) before transfers.....	12,175,231	5,268,648
Transfers.....	(4,082,806)	(4,212,802)
Change in net position.....	8,092,425	1,055,846
Net position, beginning of year.....	(136,859,736)	(137,915,582)
Net position, end of year..... \$	<u>(128,767,311)</u>	<u>(136,859,736)</u>

Governmental activities net position by \$8.1 million due to:

- The receipt of capital grant revenue which funded capitalized construction costs relating to various infrastructure projects and HVAC and building improvement projects; and,
- A decrease in expenses associated with the Town's net pension and other postemployment benefits liabilities, net of the related deferred inflows and outflows of resources.

Additionally, the governmental activities subsidized the operations of the water and sewer enterprise funds in the form of a \$4.1 million operating contribution.

Business-type Activities

	2023	2022
Assets:		
Current assets.....	\$ 22,582,019	\$ 22,850,235
Noncurrent assets (excluding capital).....	88,365	700,132
Capital assets, non depreciable.....	716,021	716,021
Capital assets, net of accumulated depreciation....	157,095,107	160,732,904
Total assets.....	180,481,512	184,999,292
Deferred outflows of resources.....	1,952,391	1,227,432
Liabilities:		
Current liabilities (excluding debt).....	1,131,414	2,074,581
Noncurrent liabilities (excluding debt).....	15,794,501	14,535,347
Current debt.....	17,658,929	28,844,256
Noncurrent debt.....	52,210,787	47,910,648
Total liabilities.....	86,795,631	93,364,832
Deferred inflows of resources.....	1,857,094	2,563,243
Net position:		
Net investment in capital assets.....	90,430,156	89,409,776
Unrestricted.....	3,351,022	888,873
Total net position.....	\$ 93,781,178	\$ 90,298,649

Water and sewer business-type activities assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$93.8 million at the close of 2023. The net investment in capital assets was \$90.4 million while unrestricted net position was \$3.4 million.

	2023	2022
Program Revenues:		
Charges for services.....	\$ 13,944,276	\$ 13,749,174
Operating grants and contributions.....	139,821	201,668
Capital grants and contributions.....	250,539	830,357
Unrestricted investment income (loss).....	216,422	(29,371)
Total revenues.....	14,551,058	14,751,828
Expenses:		
Water.....	6,299,806	6,079,452
Sewer.....	8,851,529	8,352,262
Total expenses.....	15,151,335	14,431,714
Excess (Deficiency) before transfers.....	(600,277)	320,114
Transfers.....	4,082,806	4,212,802
Change in net position.....	3,482,529	4,532,916
Net position, beginning of year.....	90,298,649	85,765,733
Net position, end of year.....	\$ 93,781,178	\$ 90,298,649

The business-type activities net position increased by \$3.5 million, Factoring into the overall change in net position is a decrease in expenses associated with the Town's net pension and other postemployment benefits liabilities, net of the related deferred inflows and outflows of resources. Also contributing to the growth in net position is the recognition of capital grant revenues in the amount of \$251,000. The general fund subsidized the water and sewer enterprise fund operations a combined \$4.1 million. This amount is consistent with prior periods.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the Town'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 year.

As of the end of the current year, governmental funds reported combined ending fund balances of \$62.1 million, an increase of \$10.0 million from the prior year. The increase was mainly related to the town, school and recreation capital project funds, which are reported within the nonmajor governmental funds.

General Fund

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$35.6 million, while total fund balance was \$36.3 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 18.5% of total general fund expenditures, while total fund balance represents 18.8% of that same amount. The decrease in fund balance in the amount of \$508,000 is mainly due to the use of existing fund balance to fund operations and capital project spending within the general fund. The use of fund balance was offset by better than anticipated budgetary results for both revenues and expenditures.

American Rescue Plan Act (ARPA) Fund

The American Rescue Plan Act (ARPA) fund is used to account for federal funding awarded to the Town in response to the COVID-19 pandemic. The Town recognized \$4.2 million of expenditures and intergovernmental revenue in the current year, as well as investment income totaling \$165,000.

Unlike other grants that the Town participates in, the Town received 100% of ARPA grant funding in advance of incurring expenditures. In accordance with generally accepted accounting principles in the United States, the Town has recognized the unexpended balance the grant proceeds as a fund liability. The liability, at the end of 2023, totaled \$8.2 million. The liability will be decrease in future years as the Town expends funds in accordance with grant terms and conditions.

General Fund Budgetary Highlights

The Town of Billerica adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The Town's final budgeted appropriations were \$193.5 million. Consistent with prior years, actual expenditures and carryovers were \$1.5 million less than budgeted amounts. Actual revenues were greater than budgeted by \$4.5 million, primarily due to the collection of unbudgeted tax lien receipts, and higher than expected excise tax collections and investment income. Ending budgetary fund balance of \$13.8 million is \$157,000 less than the prior year. The change in budgetary fund balance is mainly the result of anticipated use of existing fund balance (free cash), offset by revenue surpluses, and expenditures being less than budgeted amounts. The final budget increased \$8.5 million. The increase was primarily funded with existing fund balance to fund capital spending articles.

Capital Asset and Debt Administration

The Town's governmental activities total capital assets, net of accumulated depreciation, was \$316.8 million at the end of 2023. The major capital activity included \$2.6 million for renovation of the Howe school, \$5.9 million for renovation of the Peggy Hannon-Rizza complex, and various Town and school building improvement projects. The funding for these capital expenditures came from bond proceeds and general fund appropriations.

The major business-type capital asset activity included \$605,000 of sewer infrastructure improvements and \$1.1 million of water infrastructure improvements. The business-type activities total capital assets, net of accumulated depreciation, was \$157.8 million at the end of 2023.

Outstanding long-term debt, as of June 30, 2023, totaled \$178.8 million, of which \$119.7 million related to various town and school projects, and \$59.1 million related to various water and sewer projects.

Outstanding short-term debt, as of June 30, 2023, totaled \$17.2 million, of which \$5.9 million related to school building improvements, \$500,000 related to the historic Howe school project, and \$10.8 million related to various sewer infrastructure improvements.

Requests for Information

This financial report is designed to provide a general overview of the Town of Billerica's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Town Accountant, Town Hall, 365 Boston Road, Billerica, Massachusetts 01821.

Basic Financial Statements

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STATEMENT OF NET POSITION

JUNE 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 56,263,941	\$ 11,203,290	\$ 67,467,231
Investments.....	39,101,533	5,404,676	44,506,209
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,642,518	-	1,642,518
Tax liens.....	5,823,133	-	5,823,133
Community preservation fund surtax.....	9,271	-	9,271
Motor vehicle excise taxes.....	907,075	-	907,075
User fees.....	-	5,362,286	5,362,286
Departmental and other.....	798,342	-	798,342
Intergovernmental.....	3,496,751	-	3,496,751
Intergovernmental - subsidy.....	-	611,767	611,767
Community preservation state share.....	242,702	-	242,702
Tax foreclosures.....	1,831,189	-	1,831,189
Working capital deposit.....	90,700	-	90,700
Total current assets.....	110,207,155	22,582,019	132,789,174
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental - subsidy.....	-	88,365	88,365
Capital assets, nondepreciable.....	45,081,211	716,021	45,797,232
Capital assets, net of accumulated depreciation.....	271,743,206	157,095,107	428,838,313
Total noncurrent assets.....	316,824,417	157,899,493	474,723,910
TOTAL ASSETS.....	427,031,572	180,481,512	607,513,084
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	17,400,411	1,714,618	19,115,029
Deferred outflows related to other postemployment benefits.....	9,787,535	237,773	10,025,308
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	27,187,946	1,952,391	29,140,337
LIABILITIES			
CURRENT:			
Warrants payable.....	1,823,041	100,481	1,923,522
Accrued payroll.....	767,149	246,322	1,013,471
Health claims payable.....	1,253,000	-	1,253,000
Tax refunds payable.....	2,112,000	-	2,112,000
Accrued interest.....	1,475,809	545,611	2,021,420
Other liabilities.....	2,709,744	-	2,709,744
Unearned revenue.....	8,217,274	-	8,217,274
Compensated absences.....	1,743,000	239,000	1,982,000
Notes payable.....	6,432,000	10,778,189	17,210,189
Bonds payable.....	4,163,467	6,880,740	11,044,207
Total current liabilities.....	30,696,484	18,790,343	49,486,827
NONCURRENT:			
Compensated absences.....	1,958,000	200,000	2,158,000
Net pension liability.....	148,822,206	14,664,783	163,486,989
Net other postemployment benefits liability.....	215,283,595	929,718	216,213,313
Bonds payable.....	115,530,233	52,210,787	167,741,020
Total noncurrent liabilities.....	481,594,034	68,005,288	549,599,322
TOTAL LIABILITIES.....	512,290,518	86,795,631	599,086,149
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions.....	6,350,879	625,809	6,976,688
Deferred inflows related to other postemployment benefits.....	64,345,432	1,231,285	65,576,717
TOTAL DEFERRED INFLOWS OF RESOURCES.....	70,696,311	1,857,094	72,553,405
NET POSITION			
Net investment in capital assets.....	192,046,569	90,430,156	282,476,725
Restricted for:			
Permanent funds:			
Expendable.....	1,117,875	-	1,117,875
Nonexpendable.....	1,699,139	-	1,699,139
Gifts and grants.....	1,569,128	-	1,569,128
Community preservation.....	4,692,878	-	4,692,878
Unrestricted.....	(329,892,900)	3,351,022	(326,541,878)
TOTAL NET POSITION.....	\$ (128,767,311)	\$ 93,781,178	\$ (34,986,133)

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

		Program Revenues				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue	
Primary Government:						
<i>Governmental Activities:</i>						
General government.....	\$ 13,267,816	\$ 1,041,216	\$ 810,967	\$ 1,671,473	\$ (9,744,160)	
Public safety.....	39,118,998	6,365,311	690,351	1,145,961	(30,917,375)	
Education.....	136,063,155	4,918,360	38,376,029	-	(92,768,766)	
Public works.....	13,471,610	417,627	275,261	1,991,405	(10,787,317)	
Human services.....	2,530,320	320,136	461,698	-	(1,748,486)	
Culture and recreation.....	5,377,329	420,113	330,497	689,459	(3,937,260)	
Community preservation.....	566,286	-	330,004	-	(236,282)	
Interest.....	3,549,323	-	-	-	(3,549,323)	
Total Governmental Activities.....	213,944,837	13,482,763	41,274,807	5,498,298	(153,688,969)	
<i>Business-Type Activities:</i>						
Water.....	6,299,806	6,410,224	139,821	145,359	395,598	
Sewer.....	8,851,529	7,534,052	-	105,180	(1,212,297)	
Total Business-Type Activities.....	15,151,335	13,944,276	139,821	250,539	(816,699)	
Total Primary Government.....	\$ 229,096,172	\$ 27,427,039	\$ 41,414,628	\$ 5,748,837	\$ (154,505,668)	

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page..... \$	(153,688,969)	(816,699)	(154,505,668)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	143,133,792	-	143,133,792
Tax and other liens.....	1,356,487	-	1,356,487
Motor vehicle excise taxes.....	7,473,619	-	7,473,619
Hotel/motel tax.....	909,217	-	909,217
Meals tax.....	650,864	-	650,864
Cannabis tax.....	326,908	-	326,908
Community preservation tax.....	1,148,383	-	1,148,383
Penalties and interest on taxes.....	576,918	-	576,918
Grants and contributions not restricted to specific programs.....	7,299,129	-	7,299,129
Unrestricted investment income.....	2,988,883	216,422	3,205,305
<i>Transfers, net</i>	<u>(4,082,806)</u>	<u>4,082,806</u>	<u>-</u>
Total general revenues and transfers.....	<u>161,781,394</u>	<u>4,299,228</u>	<u>166,080,622</u>
Change in net position.....	8,092,425	3,482,529	11,574,954
<i>Net position:</i>			
Beginning of year.....	<u>(136,859,736)</u>	<u>90,298,649</u>	<u>(46,561,087)</u>
End of year..... \$	<u><u>(128,767,311)</u></u>	<u><u>93,781,178</u></u>	<u><u>(34,986,133)</u></u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2023

	General	American Rescue Plan Act (ARPA)	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents.....	\$ 3,223,408	\$ 9,316,706	\$ 30,738,750	\$ 43,278,864
Investments.....	36,236,757	-	2,864,776	39,101,533
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	1,642,518	-	-	1,642,518
Tax liens.....	5,823,133	-	-	5,823,133
Community preservation fund surtax.....	-	-	9,271	9,271
Motor vehicle excise taxes.....	907,075	-	-	907,075
Departmental and other.....	798,342	-	-	798,342
Intergovernmental.....	-	-	3,496,751	3,496,751
Community preservation state share.....	-	-	242,702	242,702
Tax foreclosures.....	1,831,189	-	-	1,831,189
TOTAL ASSETS.....	\$ 50,462,422	\$ 9,316,706	\$ 37,352,250	\$ 97,131,378
LIABILITIES				
Warrants payable.....	\$ 512,585	\$ 919,181	\$ 391,275	\$ 1,823,041
Accrued payroll.....	723,349	-	43,800	767,149
Tax refunds payable.....	2,112,000	-	-	2,112,000
Other liabilities.....	422,946	-	2,286,798	2,709,744
Unearned Revenue.....	-	8,217,274	-	8,217,274
Notes payable.....	-	-	6,432,000	6,432,000
TOTAL LIABILITIES.....	3,770,880	9,136,455	9,153,873	22,061,208
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue.....	10,429,021	-	2,547,195	12,976,216
FUND BALANCES				
Nonspendable.....	-	-	1,699,139	1,699,139
Restricted.....	-	180,251	24,424,213	24,604,464
Assigned.....	695,850	-	-	695,850
Unassigned.....	35,566,671	-	(472,170)	35,094,501
TOTAL FUND BALANCES.....	36,262,521	180,251	25,651,182	62,093,954
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 50,462,422	\$ 9,316,706	\$ 37,352,250	\$ 97,131,378

See notes to basic financial statements.

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

JUNE 30, 2023

Total governmental fund balances.....	\$ 62,093,954
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	316,824,417
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....	12,976,216
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....	(43,508,365)
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.....	11,822,777
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....	(1,475,809)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable.....	(119,693,700)
Net pension liability.....	(148,822,206)
Net other postemployment benefits liability.....	(215,283,595)
Compensated absences.....	(3,701,000)
Net effect of reporting long-term liabilities.....	(487,500,501)
Net position of governmental activities.....	\$ (128,767,311)

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2023

	General	American Rescue Plan Act (ARPA)	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ 143,063,780	\$ -	\$ -	\$ 143,063,780
Tax liens.....	1,368,635	-	9,020	1,377,655
Motor vehicle excise taxes.....	7,725,407	-	-	7,725,407
Hotel/motel tax.....	909,217	-	-	909,217
Meals tax.....	650,864	-	-	650,864
Cannabis tax.....	326,908	-	-	326,908
Charges for services.....	-	-	377,417	377,417
Penalties and interest on taxes.....	576,918	-	-	576,918
Fees and rentals.....	2,815,839	-	-	2,815,839
Licenses and permits.....	1,350,524	-	-	1,350,524
Intergovernmental - state aid.....	27,562,420	-	-	27,562,420
Intergovernmental - Teachers Retirement.....	12,165,920	-	-	12,165,920
Intergovernmental - other.....	-	4,240,822	12,574,810	16,815,632
Departmental and other.....	436,169	-	6,218,133	6,654,302
Community preservation taxes.....	-	-	1,146,916	1,146,916
Community preservation state match.....	-	-	410,222	410,222
Contributions and donations.....	-	-	83,253	83,253
Investment income.....	2,396,345	164,665	178,396	2,739,406
TOTAL REVENUES.....	201,348,946	4,405,487	20,998,167	226,752,600
EXPENDITURES:				
Current:				
General government.....	7,945,831	2,248,607	3,629,607	13,824,045
Public safety.....	21,418,807	1,145,961	4,117,721	26,682,489
Education.....	84,578,907	-	14,864,634	99,443,541
Public works.....	8,717,497	151,228	3,906,424	12,775,149
Human services.....	1,239,348	-	458,857	1,698,205
Culture and recreation.....	3,073,351	695,026	7,150,434	10,918,811
Community preservation.....	-	-	760,642	760,642
Pension benefits.....	14,484,999	-	-	14,484,999
Pension benefits - Teachers Retirement.....	12,165,920	-	-	12,165,920
Employee benefits.....	21,377,627	-	-	21,377,627
Building insurance.....	1,300,624	-	-	1,300,624
State and county charges.....	5,673,033	-	-	5,673,033
Capital outlay.....	2,653,394	-	-	2,653,394
Debt service:				
Principal.....	3,626,000	-	-	3,626,000
Interest.....	4,302,422	-	-	4,302,422
TOTAL EXPENDITURES.....	192,557,760	4,240,822	34,888,319	231,686,901
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	8,791,186	164,665	(13,890,152)	(4,934,301)
OTHER FINANCING SOURCES (USES):				
Issuance of bonds.....	-	-	17,940,000	17,940,000
Premium from issuance of bonds.....	-	-	1,060,000	1,060,000
Operating subsidy to enterprise funds.....	(4,082,806)	-	-	(4,082,806)
Transfers in.....	118,860	-	5,540,000	5,658,860
Transfers out.....	(5,335,000)	-	(323,860)	(5,658,860)
TOTAL OTHER FINANCING SOURCES (USES)...	(9,298,946)	-	24,216,140	14,917,194
NET CHANGE IN FUND BALANCES.....	(507,760)	164,665	10,325,988	9,982,893
FUND BALANCES AT BEGINNING OF YEAR.....	36,770,281	15,586	15,325,194	52,111,061
FUND BALANCES AT END OF YEAR.....	\$ 36,262,521	\$ 180,251	\$ 25,651,182	\$ 62,093,954

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2023

Net change in fund balances - total governmental funds.....	\$	9,982,893
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	22,120,817	
Depreciation expense.....	<u>(9,593,817)</u>	
Net effect of reporting capital assets.....		12,527,000
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		(882,009)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p>		
Issuance of bonds.....	(17,940,000)	
Premium from issuance of bonds.....	(1,060,000)	
Net amortization of premium from issuance of bonds.....	524,233	
Debt service principal payments.....	<u>3,626,000</u>	
Net effect of reporting long-term debt.....		(14,849,767)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	58,000	
Net change in accrued interest on long-term debt.....	228,866	
Net change in deferred outflow/(inflow) of resources related to pensions.....	23,588,792	
Net change in net pension liability.....	(24,576,505)	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits.....	(45,726,642)	
Net change in net other postemployment benefits liability.....	<u>47,089,512</u>	
Net effect of recording long-term liabilities.....		662,023
The net activity of internal service funds is reported with Governmental Activities.....		<u>652,285</u>
Change in net position of governmental activities.....	\$	<u>8,092,425</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2023

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	Sewer	Total	
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 5,440,363	\$ 5,762,927	\$ 11,203,290	\$ 12,985,077
Investments.....	-	5,404,676	5,404,676	-
Receivables, net of allowance for uncollectibles:				
User fees.....	2,420,569	2,941,717	5,362,286	-
Intergovernmental - subsidy.....	611,767	-	611,767	-
Working capital deposit.....	-	-	-	90,700
Total current assets.....	8,472,699	14,109,320	22,582,019	13,075,777
NONCURRENT:				
Receivables, net of allowance for uncollectibles:				
Intergovernmental - subsidy.....	88,365	-	88,365	-
Capital assets, non depreciable.....	65,957	650,064	716,021	-
Capital assets, net of accumulated depreciation.....	50,009,076	107,086,031	157,095,107	-
Total noncurrent assets.....	50,163,398	107,736,095	157,899,493	-
TOTAL ASSETS.....	58,636,097	121,845,415	180,481,512	13,075,777
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions.....	1,053,238	661,380	1,714,618	-
Deferred outflows related to other postemployment benefits.....	97,184	140,589	237,773	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	1,150,422	801,969	1,952,391	-
LIABILITIES				
CURRENT:				
Warrants payable.....	64,011	36,470	100,481	-
Accrued payroll.....	139,751	106,571	246,322	-
Health claims payable.....	-	-	-	1,253,000
Accrued interest.....	158,436	387,175	545,611	-
Compensated absences.....	132,000	107,000	239,000	-
Notes payable.....	-	10,778,189	10,778,189	-
Bonds payable.....	3,137,594	3,743,146	6,880,740	-
Total current liabilities.....	3,631,792	15,158,551	18,790,343	1,253,000
NONCURRENT:				
Compensated absences.....	122,000	78,000	200,000	-
Net pension liability.....	9,008,133	5,656,650	14,664,783	-
Net other postemployment benefits liability.....	497,291	432,427	929,718	-
Bonds payable.....	12,044,826	40,165,961	52,210,787	-
Total noncurrent liabilities.....	21,672,250	46,333,038	68,005,288	-
TOTAL LIABILITIES.....	25,304,042	61,491,589	86,795,631	1,253,000
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions.....	384,416	241,393	625,809	-
Deferred inflows related to other postemployment benefits.....	778,105	453,180	1,231,285	-
TOTAL DEFERRED INFLOWS OF RESOURCES.....	1,162,521	694,573	1,857,094	-
NET POSITION				
Net investment in capital assets.....	36,317,040	54,113,116	90,430,156	-
Unrestricted.....	(2,997,084)	6,348,106	3,351,022	11,822,777
TOTAL NET POSITION.....	\$ 33,319,956	\$ 60,461,222	\$ 93,781,178	\$ 11,822,777

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2023

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	Sewer	Total	
OPERATING REVENUES:				
Charges for services.....	\$ 6,410,224	\$ 7,534,052	\$ 13,944,276	\$ -
Employee contributions.....	-	-	-	5,436,063
Employer contributions.....	-	-	-	15,198,139
TOTAL OPERATING REVENUES	6,410,224	7,534,052	13,944,276	20,634,202
OPERATING EXPENSES:				
Cost of services and administration.....	4,065,719	3,732,900	7,798,619	-
Depreciation.....	1,770,259	4,056,329	5,826,588	-
Employee benefits.....	-	-	-	20,231,394
TOTAL OPERATING EXPENSES.....	5,835,978	7,789,229	13,625,207	20,231,394
OPERATING INCOME (LOSS).....	574,246	(255,177)	319,069	402,808
NONOPERATING REVENUES (EXPENSES):				
Investment income.....	-	216,422	216,422	249,477
Interest expense.....	(463,828)	(1,062,300)	(1,526,128)	-
Intergovernmental - subsidy.....	139,821	-	139,821	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(324,007)	(845,878)	(1,169,885)	249,477
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS.....	250,239	(1,101,055)	(850,816)	652,285
CAPITAL CONTRIBUTIONS.....	145,359	105,180	250,539	-
TRANSFERS:				
Operating subsidy from the general fund.....	1,565,981	2,516,825	4,082,806	-
CHANGE IN NET POSITION.....	1,961,579	1,520,950	3,482,529	652,285
NET POSITION AT BEGINNING OF YEAR.....	31,358,377	58,940,272	90,298,649	11,170,492
NET POSITION AT END OF YEAR.....	\$ 33,319,956	\$ 60,461,222	\$ 93,781,178	\$ 11,822,777

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2023

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	Sewer	Total	
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Receipts from customers and users.....	\$ 6,488,980	\$ 7,527,995	\$ 14,016,975	\$ -
Receipts from interfund services provided.....	-	-	-	20,648,002
Payments to vendors.....	(2,578,714)	(2,429,843)	(5,008,557)	-
Payments to employees.....	(1,780,675)	(1,331,925)	(3,112,600)	-
Payments for interfund services used.....	-	-	-	(20,192,394)
NET CASH FROM OPERATING ACTIVITIES.....	2,129,591	3,766,227	5,895,818	455,608
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
Operating contribution.....	1,565,981	2,516,825	4,082,806	-
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
Proceeds from the issuance of bonds and notes.....	-	11,792,715	11,792,715	-
Capital contributions.....	145,359	105,180	250,539	-
Acquisition and construction of capital assets.....	(1,583,300)	(1,434,956)	(3,018,256)	-
Principal payments on bonds and notes.....	(2,465,002)	(15,415,930)	(17,880,932)	-
Interest expense.....	(423,127)	(1,144,289)	(1,567,416)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(4,326,070)	(6,097,280)	(10,423,350)	-
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Purchase of investments.....	-	(1,490,587)	(1,490,587)	-
Investment income.....	-	216,422	216,422	249,477
NET CASH FROM INVESTING ACTIVITIES.....	-	(1,274,165)	(1,274,165)	249,477
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(630,498)	(1,088,393)	(1,718,891)	705,085
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	6,070,861	6,851,320	12,922,181	12,279,992
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 5,440,363	\$ 5,762,927	\$ 11,203,290	\$ 12,985,077
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>				
Operating income (loss).....	\$ 574,246	\$ (255,177)	\$ 319,069	\$ 402,808
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation.....	1,770,259	4,056,329	5,826,588	-
Deferred (outflows)/inflows related to pensions.....	(1,427,817)	(896,597)	(2,324,414)	-
Deferred (outflows)/inflows related to other postemployment benefits.....	525,186	368,120	893,306	-
Changes in assets and liabilities:				
User charges.....	78,756	(6,057)	72,699	-
Working capital deposit.....	-	-	-	13,800
Warrants payable.....	(147,380)	(71,733)	(219,113)	-
Accrued payroll.....	57,730	47,799	105,529	-
Health claims payable.....	-	-	-	39,000
Compensated absences.....	(123,000)	3,000	(120,000)	-
Net pension liability.....	1,487,603	934,140	2,421,743	-
Net other postemployment benefits liability.....	(665,992)	(413,597)	(1,079,589)	-
Total adjustments.....	1,555,345	4,021,404	5,576,749	52,800
NET CASH FROM OPERATING ACTIVITIES.....	\$ 2,129,591	\$ 3,766,227	\$ 5,895,818	\$ 455,608
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u>				
Intergovernmental subsidy of debt service.....	\$ 578,980	\$ -	\$ 578,980	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2023

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Fund
ASSETS		
Cash and cash equivalents.....	\$ 381,737	\$ 22,948
Investments:		
U.S. treasuries.....	1,472,925	-
Government sponsored enterprises.....	1,230,475	1,999,412
Equity securities.....	3,537,680	-
Fixed income.....	5,931,933	-
TOTAL ASSETS.....	12,554,750	2,022,360
NET POSITION		
Restricted for other postemployment benefits.....	12,554,750	-
Held in trust for other purposes.....	-	2,022,360
TOTAL NET POSITION.....	\$ 12,554,750	\$ 2,022,360

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2023

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Fund
ADDITIONS:		
Contributions:		
Employer contributions.....	\$ 2,011,357	\$ -
Employer contributions for other postemployment benefit payments.....	11,975,486	-
Private donations.....	-	52,761
	<u>13,986,843</u>	<u>52,761</u>
Total contributions.....		
	<u>13,986,843</u>	<u>52,761</u>
Net investment income:		
Investment income.....	992,792	216,678
	<u>992,792</u>	<u>216,678</u>
TOTAL ADDITIONS.....	<u>14,979,635</u>	<u>269,439</u>
DEDUCTIONS:		
Other postemployment benefit payments.....	11,975,486	-
Educational scholarships.....	-	158,940
	<u>11,975,486</u>	<u>158,940</u>
TOTAL DEDUCTIONS.....	<u>11,975,486</u>	<u>158,940</u>
NET INCREASE (DECREASE) IN NET POSITION.....	3,004,149	110,499
NET POSITION AT BEGINNING OF YEAR.....	9,550,601	1,911,861
NET POSITION AT END OF YEAR.....	<u>\$ 12,554,750</u>	<u>\$ 2,022,360</u>

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town of Billerica is a municipal corporation governed by an elected Select Board.

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

Joint Ventures

The Town is a member of the Shawsheen Regional Technical High School District that provides for the education of the Town's high school students. The members share in the operations of the District and each member is responsible for its proportionate share of the operational and capital cost of the District, which are paid in the form of assessments. The Town does not have an equity interest in the District and the 2023 assessment was \$10,000,885.

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

The government-wide financial statements (i.e., statement of net position and statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units.

Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

Fund Financial Statements

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

Major Fund Criteria

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

- If 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 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*

- If the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

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

Internal service and fiduciary funds are reported by fund type.

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

Government-Wide Financial Statements

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

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

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

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

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

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

absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

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

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

The following major governmental funds are reported:

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

The *American Rescue Plan Act (ARPA) fund* is used to account for federal funding awarded to the Town in response to the COVID-19 pandemic.

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

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

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds. The non-major capital projects fund includes activity related to general government, public safety, school, recreation, drainage, cemetery and highway projects.

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

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

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

The following major proprietary funds are reported:

The *water enterprise fund* is used to account for the financial activity of the ongoing operations within the water department.

The *sewer enterprise fund* is used to account for the financial activity of the ongoing operations within the sewer department.

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to the self-insured employee health program.

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

The *other postemployment benefits trust fund* accumulates resources to provide funding for future OPEB (other postemployment benefits) liabilities.

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

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

Investments are carried at fair value. The fair values were determined by the closing price for those securities traded on national stock exchanges and at the average bid-and-asked quotation for those securities traded in the over-the-counter market.

E. Fair Value Measurements

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

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

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

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

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

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

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

F. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on July 1st and January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date. Tax liens are processed within 30 days of the close of the following year end for all taxes that are considered delinquent at that time. Real estate and personal property taxes levied are recorded as receivables in the year of the levy.

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

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

Motor Vehicle Excise

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

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

User Fees

User fees are levied three times a year in December, April, and August based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Liens are processed every

year and included as a lien on the property owner's tax bill. Charges and liens are recorded as receivables in the year of the levy.

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

Departmental and other

Departmental and other receivables are recorded net of an allowance for uncollectible accounts. The allowance of uncollectible accounts is estimated based on historical trends and specific account analysis.

Intergovernmental

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

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

G. Inventories

Government-Wide and Fund Financial Statements

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

H. Capital Assets

Government-Wide Financial Statements

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

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land and construction in process) are depreciated on a straight-line basis over the estimated useful life of the asset. The estimated useful lives of capital assets being depreciated are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land improvements.....	20 - 30
Buildings.....	20 - 40
Machinery and equipment.....	5 - 10
Vehicles.....	5 - 15
Infrastructure.....	40 - 50

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

Governmental Fund Financial Statements

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

I. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

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

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

Governmental Fund Financial Statements

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

Unavailable revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting, i.e. receivables that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

J. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

K. Interfund Transfers and Operating Subsidy

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

Operating Subsidy

The Town has voted to account for the operation of the water and sewer activities as enterprise funds. The direct expenses of each enterprise fund are budgeted and the revenue rates are approved annually. At the current time revenues are not sufficient to cover budgeted expenses and therefore the general fund provides an operating subsidy to balance the budget. The Town has elected to not budget the expense related to pension, health insurance and indirect charges for each enterprise fund. The Town has not estimated the cost of providing this non-cash subsidy and therefore it has not been reported in the financial statements.

L. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

Net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not factored into the calculation of the net investment of capital assets.

Net position is reported as restricted when amounts are not otherwise available for appropriation or are legally restricted by outside parties for a specific future use.

Net position has been “restricted for” the following:

“Permanent funds – expendable” represents the amount of realized and unrealized investment earnings of donor restricted trusts. The donor restrictions and trustee policies only allow the trustees to approve spending of the realized investment earnings.

“Permanent funds – nonexpendable” represents the endowment portion of donor restricted trusts. Only investment earnings may be expended from this category.

“Grants and gifts” represents amounts held for school and other Town grants, and for gift funds.

“Community preservation” represents amounts held for uses restricted by law for community preservation purposes.

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

Fund Financial Statements (Fund Balances)

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

The governmental fund balance classifications are as follows:

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

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

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

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount.

The Town will, from time to time, fund outlays for a particular purpose from different components of fund balance. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balances in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. When different components of fund balance can be used for the same

purpose, it is the Town's policy to consider restricted fund balance to have been depleted first, followed by committed fund balance and assigned fund balance. Unassigned fund balance is applied last.

M. Long-term Debt

Government-Wide Financial Statements

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

Governmental Fund Financial Statements

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

N. Pensions

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

O. Investment Income

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

Investment income from proprietary fund operations is voluntarily assigned and transferred to the general fund, except for the sewer stabilization fund which retains its investment income.

P. Compensated Absences

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

Government-Wide Financial Statements

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

Governmental Fund Financial Statements

Compensated absences are reported in the governmental funds only if they have matured, i.e. unused reimbursable leave still outstanding following a retirement or resignation. Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon maturity of the liability.

Q. Use of Estimates*Government-Wide and Fund Financial Statements*

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

R. Fund Deficits

Fund deficits exist within the school capital projects nonmajor governmental fund. The deficit will be funded with grant proceeds, bond issuances and other available funds.

S. Total Column*Government-Wide Financial Statements*

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

Fund Financial Statements

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

NOTE 2 – CASH AND INVESTMENTS

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

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

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

The Town participates in MMDT, which maintains a cash portfolio with a weighted average maturity of approximately 33 days. The Town's investments in MMDT are unrated.

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. At year-end, the carrying amount of deposits totaled \$64,503,222 and the bank balance totaled \$68,032,111. Of the bank balance, \$2,500,020 was covered by Federal Depository Insurance, \$2,084,709 was covered by the Depositors Insurance Fund insurance, \$35,965,204 was collateralized, and \$27,482,178 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Town's investment policy addresses custodial credit risk of deposits by establishing the following policy: the Town will not have on deposit with a single financial institution more than 60% of the institutions total equity presented on the specific institution's annual audited financial statements. Additionally, no single bank or bank holding company shall hold in excess of 75% of the Treasurer's cash balance for greater than three consecutive days.

Investments

As of June 30, 2023, the Town had the following investments:

Investment Type	Fair value	Maturities		
		Under 1 Year	1-5 Years	6-10 Years
Debt securities:				
U.S. treasury notes.....	\$ 18,396,884	\$ 14,668,178	\$ 3,728,706	\$ -
Government sponsored enterprises.....	13,246,867	8,958,364	4,288,503	-
Corporate bonds.....	5,914,590	1,190,541	4,074,128	649,921
Total debt securities.....	37,558,341	\$ 24,817,083	\$ 12,091,337	\$ 649,921
Other investments:				
Equity securities.....	15,079,995			
Fixed income.....	6,040,298			
Money market mutual funds.....	3,306,897			
MMDT - Cash portfolio.....	61,797			
Total investments.....	\$ 62,047,328			

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The investments in government sponsored enterprises, corporate bonds, and equity securities are subject to custodial credit risk exposure because the related securities are uninsured, unregistered and held by the counterparty. Excluding investments in United States treasury notes, and MMDT, no more than 5% of the Town's total investment portfolio will be held by any single financial institution.

Interest Rate Risk

The Town's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

Credit Risk

The Town has not adopted a formal policy related to credit risk. The Town's investments were rated as follows:

<u>Quality Rating</u>	<u>Government Sponsored Enterprises</u>	<u>Corporate Bonds</u>
AAA.....	\$ -	\$ 507,041
AA+.....	13,246,867	-
A+.....	-	1,562,001
A.....	-	498,042
A-.....	-	1,289,481
BBB+.....	-	930,781
BBB.....	-	1,127,244
Total.....	\$ <u>13,246,867</u>	\$ <u>5,914,590</u>

Concentration of Credit Risk

The Town will minimize the concentration of credit risk by diversifying the investment portfolio, so that the impact of potential losses from any one type of security or issuer will be minimized. The Town did not have more than 5% of its investments in any one individual security.

Fair Value of Investments

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

The following table presents financial assets at June 30, 2023, that the Town measures fair value on a recurring basis, by level, within the fair value hierarchy:

Investment Type	June 30, 2023	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value:				
<u>Debt securities:</u>				
U.S. treasury notes.....	\$ 18,396,884	\$ 18,396,884	\$ -	\$ -
Government sponsored enterprises.....	13,246,867	13,246,867	-	-
Corporate bonds.....	5,914,590	-	5,914,590	-
Total debt securities.....	37,558,341	31,643,751	5,914,590	-
<u>Other investments:</u>				
Equity securities.....	15,079,995	15,079,995	-	-
Fixed income.....	6,040,298	6,040,298	-	-
Money market mutual funds.....	3,306,897	3,306,897	-	-
Total other investments.....	24,427,190	24,427,190	-	-
Total investments measured at fair value.....	61,985,531	\$ 56,070,941	\$ 5,914,590	\$ -
Investments measured at amortized cost:				
MMDT - Cash portfolio.....	61,797			
Total investments.....	\$ 62,047,328			

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

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

NOTE 3 – RECEIVABLES

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 1,955,718	\$ (313,200)	\$ 1,642,518
Tax liens.....	5,823,133	-	5,823,133
Community preservation fund surtax.....	9,271	-	9,271
Motor vehicle and other excise taxes.....	1,930,275	(1,023,200)	907,075
Departmental and other.....	1,009,742	(211,400)	798,342
Intergovernmental.....	3,496,751	-	3,496,751
Community preservation state share.....	242,702	-	242,702
Total.....	<u>\$ 14,467,592</u>	<u>\$ (1,547,800)</u>	<u>\$ 12,919,792</u>

At June 30, 2023, receivables for the water and sewer enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water user fees.....	\$ 2,420,569	\$ -	\$ 2,420,569
Water intergovernmental - subsidy.....	700,132	-	700,132
Sewer user fees.....	2,941,717	-	2,941,717
Total.....	<u>\$ 6,062,418</u>	<u>\$ -</u>	<u>\$ 6,062,418</u>

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

	General Fund	Other Governmental Funds	Total
<u>Receivables and other assets:</u>			
Real estate and personal property taxes.....	\$ 1,069,282	\$ -	\$ 1,069,282
Tax liens.....	5,823,133	-	5,823,133
Community preservation fund surtax.....	-	9,271	9,271
Motor vehicle and other excise taxes.....	907,075	-	907,075
Departmental and other.....	798,342	-	798,342
Intergovernmental - highway improvements.....	-	2,295,222	2,295,222
Community preservation state share.....	-	242,702	242,702
Tax foreclosures.....	1,831,189	-	1,831,189
Total.....	<u>\$ 10,429,021</u>	<u>\$ 2,547,195</u>	<u>\$ 12,976,216</u>

NOTE 4 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 25,186,152	\$ -	\$ -	\$ 25,186,152
Construction in progress.....	8,729,644	11,165,415	-	19,895,059
Total capital assets not being depreciated.....	33,915,796	11,165,415	-	45,081,211
<u>Capital assets being depreciated:</u>				
Land improvements.....	11,541,125	678,090	-	12,219,215
Buildings.....	282,208,605	2,883,934	-	285,092,539
Machinery and equipment.....	9,170,542	1,700,954	-	10,871,496
Vehicles.....	12,116,289	845,869	-	12,962,158
Infrastructure.....	47,420,737	4,846,555	-	52,267,292
Total capital assets being depreciated.....	362,457,298	10,955,402	-	373,412,700
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(4,818,212)	(464,141)	-	(5,282,353)
Buildings.....	(60,033,331)	(6,350,323)	-	(66,383,654)
Machinery and equipment.....	(7,219,973)	(424,089)	-	(7,644,062)
Vehicles.....	(9,656,463)	(1,086,370)	-	(10,742,833)
Infrastructure.....	(10,347,698)	(1,268,894)	-	(11,616,592)
Total accumulated depreciation.....	(92,075,677)	(9,593,817)	-	(101,669,494)
Total capital assets being depreciated, net.....	270,381,621	1,361,585	-	271,743,206
Total governmental activities capital assets, net.....	\$ 304,297,417	\$ 12,527,000	\$ -	\$ 316,824,417

	Beginning Balance	Increases	Decreases	Ending Balance
Water:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 65,957	\$ -	\$ -	\$ 65,957
<u>Capital assets being depreciated:</u>				
Machinery and equipment.....	771,415	493,170	-	1,264,585
Vehicles.....	399,047	-	-	399,047
Infrastructure.....	73,918,219	1,090,130	-	75,008,349
Total capital assets being depreciated.....	75,088,681	1,583,300	-	76,671,981
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(594,819)	(86,368)	-	(681,187)
Vehicles.....	(338,255)	(23,716)	-	(361,971)
Infrastructure.....	(23,959,572)	(1,660,175)	-	(25,619,747)
Total accumulated depreciation.....	(24,892,646)	(1,770,259)	-	(26,662,905)
Total capital assets being depreciated, net.....	50,196,035	(186,959)	-	50,009,076
Total water activities capital assets, net.....	\$ 50,261,992	\$ (186,959)	\$ -	\$ 50,075,033
Sewer:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 650,064	\$ -	\$ -	\$ 650,064
<u>Capital assets being depreciated:</u>				
Buildings.....	2,924,117	-	-	2,924,117
Machinery and equipment.....	216,834	-	-	216,834
Vehicles.....	807,445	-	-	807,445
Infrastructure.....	168,917,370	605,491	-	169,522,861
Total capital assets being depreciated.....	172,865,766	605,491	-	173,471,257
<u>Less accumulated depreciation for:</u>				
Buildings.....	(2,375,845)	(73,103)	-	(2,448,948)
Machinery and equipment.....	(133,115)	(15,940)	-	(149,055)
Vehicles.....	(495,962)	(107,856)	-	(603,818)
Infrastructure.....	(59,323,975)	(3,859,430)	-	(63,183,405)
Total accumulated depreciation.....	(62,328,897)	(4,056,329)	-	(66,385,226)
Total capital assets being depreciated, net.....	110,536,869	(3,450,838)	-	107,086,031
Total sewer activities capital assets, net.....	\$ 111,186,933	\$ (3,450,838)	\$ -	\$ 107,736,095

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

Governmental Activities:

General government.....	\$	395,066
Public safety.....		1,084,396
Education.....		5,830,649
Public works.....		1,994,073
Human services.....		4,734
Culture and recreation.....		248,805
Community preservation.....		36,094

Total depreciation expense - governmental activities.....	\$	<u>9,593,817</u>
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Business-Type Activities:

Water.....	\$	1,770,259
Sewer.....		4,056,329

Total depreciation expense - business-type activities.....	\$	<u>5,826,588</u>
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NOTE 5 – INTERFUND TRANSFERS AND OPERATING SUBSIDY

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

Transfers Out:	Transfers In:			
	General fund	Nonmajor governmental funds	Total	
General fund.....	\$ -	\$ 5,335,000	\$ 5,335,000	(1)
Nonmajor governmental funds..	<u>118,860</u>	<u>205,000</u>	<u>323,860</u>	(2)
Total.....	\$ <u>118,860</u>	\$ <u>5,540,000</u>	\$ <u>5,658,860</u>	

- 1) Budgeted transfers from the general fund to nonmajor capital project funds, and transfers from the general fund to nonmajor special revenue funds.
- 2) Budgeted transfers from the nonmajor governmental funds to the general fund, and transfers between nonmajor governmental funds to reallocate resources.

The Town currently budgets an annual general fund subsidy to both the water and sewer enterprise funds since the current rates are not sufficient to cover the expenses of those funds. In 2023, the water and sewer funds received an operating subsidy of \$1,565,981 and \$2,516,825, respectively.

NOTE 6 – SHORT-TERM FINANCING

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

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

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

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

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2022	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2023
Governmental Funds:							
BAN	High School.....	2.00%	01/27/23	\$ 7,500,000	\$ -	\$ (7,500,000)	\$ -
BAN	Historic Howe School.....	2.00%	01/27/23	7,500,000	-	(7,500,000)	-
BAN	High School.....	3.00%	01/27/23	2,700,000	-	(2,700,000)	-
BAN	Rizza Recreation Complex....	3.00%	01/27/23	8,000,000	-	(8,000,000)	-
BAN	High School.....	4.00%	09/18/23	-	9,932,000	(4,000,000)	5,932,000 (1)
BAN	Historic Howe School.....	4.00%	09/18/23	-	7,500,000	(7,000,000)	500,000 (1)
BAN	Rizza Recreation Complex....	4.00%	09/18/23	-	8,000,000	(8,000,000)	- (1)
Total Governmental Funds.....				\$ 25,700,000	\$ 25,432,000	\$ (44,700,000)	\$ 6,432,000
Sewer Enterprise Fund:							
BAN	MCWT Interim Financing.....	0.00%	06/30/23	\$ 11,745,857	\$ -	\$ (11,745,857)	\$ -
BAN	MCWT Interim Financing.....	0.00%	06/30/24	10,189,179	589,010	-	10,778,189 (2)
Total Sewer Enterprise Fund.....				\$ 21,935,036	\$ 589,010	\$ (11,745,857)	\$ 10,778,189

- (1) On September 18, 2023, the Town issued \$17.9 million of general obligation bonds, which, along with the associated premiums, were used to pay down \$19.0 million of the BANs due on September 18, 2023. These notes have been recorded as long-term debt at June 30, 2023. The remaining \$6.4 million of BANs were paid down with Town funds and MSBA grant funds on September 18, 2023.
- (2) The Massachusetts Clean Water Trust (MCWT) temporary financing relates to a program in which the Town is able to rehabilitate, expand, or upgrade the existing sewer infrastructure network. The Town has entered into a financing agreement with the MCWT that allows the Town to expend funds against the loan over a 2-year period. After the two years, the Town will determine the final construction costs and a permanent debt schedule will be agreed upon and payable over a long-term period.

NOTE 7 – LONG-TERM DEBT

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

The Town receives subsidy assistance from the Massachusetts Clean Water Trust (MCWT). Future subsidies of capital expenses are structured as principal subsidies of principal payments. Interest on the outstanding bonds for MCWT is subsidized over the life of the bonds to assist the Town in repayment of this future debt. Future principal subsidies of \$700,132 have been recorded as an intergovernmental receivable in the water enterprise fund. Future interest subsidies total approximately \$39,000 and will be recognized as revenue when incurred. During 2023, the Town's principal and interest subsidy amounted to approximately \$719,000.

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

Bond Payable Schedule – Governmental Activities

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2023
<u>General obligations:</u>				
Municipal Purpose Bonds of 2013.....	2033	\$ 15,535,000	2.00-4.00	\$ 4,435,000
Municipal Purpose Bonds of 2013 - Refunding....	2025	2,524,000	1.00-4.00	425,000
Municipal Purpose Bonds of 2017 - Refunding....	2028	675,000	3.00-5.00	215,000
Municipal Purpose Bonds of 2017.....	2047	85,310,000	3.00-5.00	73,975,000
Municipal Purpose Bonds of 2019.....	2040	5,605,000	2.75-5.00	4,485,000
Municipal Purpose Bonds of 2022.....	2042	12,263,000	2.00-5.00	11,630,000
Municipal Purpose Bonds of 2022 - Refunding....	2031	866,000	2.00-5.00	783,000
Municipal Purpose Bonds of 2023.....	2052	<u>17,940,000</u>	4.00-5.00	<u>17,940,000</u>
Total Bonds Payable.....		<u>\$ 140,718,000</u>		113,888,000
Add: Unamortized premium on bonds.....				<u>5,805,700</u>
Total Bonds Payable, net.....				<u>\$ 119,693,700</u>

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

Year	Principal	Interest	Total
2024.....	\$ 3,664,000	\$ 4,049,239	\$ 7,713,239
2025.....	4,751,000	4,236,851	8,987,851
2026.....	4,626,000	4,020,683	8,646,683
2027.....	4,767,000	3,794,451	8,561,451
2028.....	4,872,000	3,566,401	8,438,401
2029.....	4,837,000	3,334,801	8,171,801
2030.....	4,913,000	3,152,126	8,065,126
2031.....	4,933,000	2,971,916	7,904,916
2032.....	4,955,000	2,748,482	7,703,482
2033.....	5,035,000	2,582,544	7,617,544
2034.....	4,710,000	2,422,356	7,132,356
2035.....	4,790,000	2,273,850	7,063,850
2036.....	4,890,000	2,119,075	7,009,075
2037.....	4,930,000	1,961,944	6,891,944
2038.....	4,470,000	1,813,266	6,283,266
2039.....	4,590,000	1,647,673	6,237,673
2040.....	4,715,000	1,476,945	6,191,945
2041.....	4,630,000	1,304,007	5,934,007
2042.....	4,775,000	1,128,869	5,903,869
2043.....	4,350,000	954,400	5,304,400
2044.....	4,510,000	780,400	5,290,400
2045.....	4,485,000	603,700	5,088,700
2046.....	4,655,000	424,300	5,079,300
2047.....	4,835,000	238,100	5,073,100
2048.....	240,000	44,550	284,550
2049.....	240,000	34,650	274,650
2050.....	240,000	24,750	264,750
2051.....	240,000	14,850	254,850
2052.....	240,000	4,950	244,950
Total.....	\$ <u>113,888,000</u>	\$ <u>53,730,127</u>	\$ <u>167,618,127</u>

Bond Payable Schedule – Water Enterprise Fund

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2023
<u>General obligations:</u>				
Water Refunding of 2013.....	2025	\$ 1,106,000	1.00-4.00	\$ 50,000
Water Refunding of 2017.....	2028	2,065,000	3.00-5.00	1,000,000
Water Bonds of 2019.....	2040	4,385,000	2.50-5.00	2,975,000
Water Refunding of 2019.....	2030	215,000	2.50-5.00	155,000
Subtotal General Obligation Bonds Payable.....		<u>\$ 7,771,000</u>		<u>4,180,000</u>
<u>Direct borrowings:</u>				
MCWT of 2004.....	2025	\$ 29,686,086	3.00-5.35	2,229,254
MCWT of 2022.....	2041	9,316,240	1.50	8,493,953
Subtotal Direct Borrowings Payable.....		<u>\$ 39,002,326</u>		<u>10,723,207</u>
Add: Unamortized premium on bonds.....				<u>279,213</u>
Total Bonds Payable, net.....				<u>\$ 15,182,420</u>

Debt service requirements for principal and interest for the water enterprise fund general obligation bonds and direct borrowings payable in future years are as follows:

Year	General Obligation Bonds			Direct Borrowings Payable		
	Principal	Interest	Total	Principal	Interest	Total
2024.....	\$ 720,000	\$ 180,018	\$ 900,018	\$ 2,345,964	\$ 188,707	\$ 2,534,671
2025.....	705,000	146,378	851,378	707,360	128,655	836,015
2026.....	680,000	113,112	793,112	422,346	115,048	537,394
2027.....	685,000	79,737	764,737	429,372	108,714	538,086
2028.....	675,000	45,987	720,987	436,516	102,272	538,788
2029.....	215,000	20,062	235,062	443,778	95,724	539,502
2030.....	65,000	14,462	79,462	451,162	89,068	540,230
2031.....	45,000	12,262	57,262	458,667	82,300	540,967
2032.....	45,000	10,687	55,687	466,299	75,420	541,719
2033.....	45,000	9,450	54,450	474,057	68,426	542,483
2034.....	45,000	8,213	53,213	481,943	61,316	543,259
2035.....	45,000	6,863	51,863	489,961	54,086	544,047
2036.....	45,000	5,513	50,513	498,113	46,736	544,849
2037.....	45,000	4,219	49,219	506,400	39,266	545,666
2038.....	45,000	2,925	47,925	514,826	31,670	546,496
2039.....	40,000	1,650	41,650	523,391	23,946	547,337
2040.....	35,000	525	35,525	532,099	16,096	548,195
2041.....	-	-	-	540,953	8,114	549,067
Total.....	<u>\$ 4,180,000</u>	<u>\$ 662,063</u>	<u>\$ 4,842,063</u>	<u>\$ 10,723,207</u>	<u>\$ 1,335,564</u>	<u>\$ 12,058,771</u>

Bond Payable Schedule – Sewer Enterprise Fund

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2023
<u>General obligations:</u>				
Sewer Bonds of 2013.....	2033	\$ 1,412,000	1.00-4.00	\$ 660,000
Sewer Refunding of 2013.....	2025	6,330,000	3.00-5.00	505,000
Sewer Refunding of 2017.....	2027	882,000	2.75-3.00	340,000
Sewer Bonds of 2019.....	2040	1,790,000	2.75-5.00	720,000
Sewer Refunding of 2019.....	2030	2,730,000	2.50-5.00	1,895,000
Sewer Refunding of 2022.....	2031	1,161,000	2.00-5.00	1,052,000
Subtotal General Obligation Bonds Payable.....		\$ 14,305,000		5,172,000
<u>Direct borrowings:</u>				
MCWT of 2011.....	2031	\$ 9,527,457	2.00	4,166,352
MCWT of 2015.....	2035	21,876,550	2.00	13,114,948
MCWT of 2019.....	2037	4,172,475	2.00	3,379,526
MCWT of 2020.....	2037	7,641,845	2.00	6,487,948
MCWT of 2023.....	2041	11,203,705	2.00	11,203,705
Subtotal Direct Borrowings Payable.....		\$ 54,422,032		38,352,479
Add: Unamortized premium on bonds.....				384,628
Total Bonds Payable, net.....				\$ 43,909,107

Debt service requirements for principal and interest for the sewer enterprise fund general obligation bonds and direct borrowings payable in future years are as follows:

Year	General Obligation Bonds			Direct Borrowings Payable		
	Principal	Interest	Total	Principal	Interest	Total
2024.....	\$ 946,000	\$ 192,631	\$ 1,138,631	\$ 2,703,901	\$ 684,858	\$ 3,388,759
2025.....	849,000	158,874	1,007,874	2,738,152	632,203	3,370,355
2026.....	599,000	129,756	728,756	2,773,132	584,231	3,357,363
2027.....	613,000	101,806	714,806	2,808,856	535,561	3,344,417
2028.....	528,000	75,431	603,431	2,845,339	486,169	3,331,508
2029.....	528,000	51,981	579,981	2,882,603	436,050	3,318,653
2030.....	422,000	32,306	454,306	2,920,656	385,185	3,305,841
2031.....	237,000	19,116	256,116	2,959,519	333,551	3,293,070
2032.....	105,000	12,963	117,963	2,430,065	286,836	2,716,901
2033.....	100,000	9,813	109,813	2,459,127	245,126	2,704,253
2034.....	35,000	6,737	41,737	2,488,818	202,838	2,691,656
2035.....	35,000	5,687	40,687	2,519,156	159,950	2,679,106
2036.....	35,000	4,637	39,637	1,457,243	116,462	1,573,705
2037.....	35,000	3,631	38,631	1,488,912	87,318	1,576,230
2038.....	35,000	2,625	37,625	696,221	57,540	753,761
2039.....	35,000	1,575	36,575	711,354	43,616	754,970
2040.....	35,000	525	35,525	726,814	29,388	756,202
2041.....	-	-	-	742,611	14,852	757,463
Total.....	\$ 5,172,000	\$ 810,090	\$ 5,982,090	\$ 38,352,479	\$ 5,321,734	\$ 43,674,213

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2023, the Town had authorized and unissued debt as follows:

Purpose	Amount
High school construction 02/23/16.....	\$ 4,736,312
Sewer force main construction 10/05/21.....	14,000,000
Sewer line construction 10/05/21.....	22,000,000
DPW facility design 05/05/22.....	4,500,000
Sewer betterments 05/05/22.....	4,250,000
Water resource facility construction 05/10/22.....	1,650,000
Water line restoration 10/04/22.....	750,000
Water stand pipe restoration 05/03/23.....	3,000,000
Total.....	\$ <u>54,886,312</u>

Changes in Long-term Liabilities

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

	Beginning Balance	Bonds Issued	Bonds Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Governmental Activities:							
General obligation bonds payable.....	\$ 99,574,000	\$ 17,940,000	\$ (3,626,000)	\$ -	\$ -	\$ 113,888,000	\$ 3,664,000
Add: Unamortized premium on bonds.....	5,269,933	-	-	1,060,000	(524,233)	5,805,700	499,467
Total bonds payable.....	104,843,933	17,940,000	(3,626,000)	1,060,000	(524,233)	119,693,700	4,163,467
Compensated absences.....	3,759,000	-	-	1,703,000	(1,761,000)	3,701,000	1,743,000
Net pension liability.....	124,245,701	-	-	37,762,200	(13,185,695)	148,822,206	-
Net other postemployment benefits.....	262,373,107	-	-	12,563,830	(59,653,342)	215,283,595	-
Total governmental activity long-term liabilities.....	\$ 495,221,741	\$ 17,940,000	\$ (3,626,000)	\$ 53,089,030	\$ (75,124,270)	\$ 487,500,501	\$ 5,906,467
Business-Type Activities:							
General obligation bonds payable.....	\$ 11,581,000	\$ -	\$ (2,229,000)	\$ -	\$ -	\$ 9,352,000	\$ 1,666,000
Direct borrowings payable.....	42,357,036	11,203,705	(4,485,055)	-	-	49,075,686	5,049,865
Add: Unamortized premium on bonds.....	881,832	-	-	-	(217,991)	663,841	164,875
Total bonds payable.....	54,819,868	11,203,705	(6,714,055)	-	(217,991)	59,091,527	6,880,740
Compensated absences.....	559,000	-	-	156,000	(276,000)	439,000	239,000
Net pension liability.....	12,243,040	-	-	3,721,047	(1,299,304)	14,664,783	-
Net other postemployment benefits.....	2,009,307	-	-	802,795	(1,882,384)	929,718	-
Total business-type activity long-term liabilities.....	\$ 69,631,215	\$ 11,203,705	\$ (6,714,055)	\$ 4,679,842	\$ (3,675,679)	\$ 75,125,028	\$ 7,119,740

NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The Town has adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Town's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

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

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints. These categories of fund balance are further discussed in Note 1.

- **Restricted:** fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- **Committed:** fund balances that contain self-imposed constraints of the Town from its highest level of decision-making authority. The Town's highest level of decision-making authority is the Town Meeting.
- **Assigned:** fund balances that contain self-imposed constraints of the Town to be used for a particular purpose.

- Unassigned: fund balance of the general fund that is not constrained for any particular purpose and the deficit fund balances for other funds that would otherwise be restricted, committed, or assigned.

Massachusetts General Law Ch.40 §5B allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body.

In accordance with Statement No. 54, the stabilization funds have been reported in the general fund. At year end the balance of the general Town stabilization fund was \$5.5 million, the balance of the land stabilization fund was \$375,000, the school stabilization fund was \$868,000, and the governmental debt stabilization fund was \$16.8 million. The stabilization funds are reported as unassigned fund balance within the general fund.

At June 30, 2023, the governmental fund balances consisted of the following:

	General	ARPA Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable:				
Permanent fund principal.....	\$ -	\$ -	\$ 1,699,139	\$ 1,699,139
Restricted for:				
American Rescue Plan Act (ARPA).....	-	180,251	-	180,251
Town revolving funds.....	-	-	1,402,954	1,402,954
Town grant funds.....	-	-	1,117,036	1,117,036
Town receipts reserved.....	-	-	632,686	632,686
School lunch.....	-	-	2,259,640	2,259,640
School revolving funds.....	-	-	1,527,843	1,527,843
School grant funds.....	-	-	452,092	452,092
Recreation revolving.....	-	-	435,399	435,399
Community preservation.....	-	-	4,439,757	4,439,757
Other special revenue funds.....	-	-	3,597,055	3,597,055
Public safety capital projects.....	-	-	1,707,701	1,707,701
Highway capital projects.....	-	-	2,099,086	2,099,086
Stormwater drainage capital projects.....	-	-	419,090	419,090
Recreation capital projects.....	-	-	2,035,843	2,035,843
Cemetery capital projects.....	-	-	256,197	256,197
General government capital projects.....	-	-	923,959	923,959
Cemetery perpetual care.....	-	-	1,117,875	1,117,875
Assigned to:				
General government.....	309,962	-	-	309,962
Public safety.....	53,214	-	-	53,214
Education.....	66,189	-	-	66,189
Public works.....	9,747	-	-	9,747
Human services.....	4,873	-	-	4,873
Culture and recreation.....	5,865	-	-	5,865
Employee benefits.....	33,000	-	-	33,000
Capital outlay.....	213,000	-	-	213,000
Unassigned.....	35,566,671	-	(472,170)	35,094,501
Total Fund Balances.....	\$ 36,262,521	\$ 180,251	\$ 25,651,182	\$ 62,093,954

NOTE 9 – RISK FINANCING

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

The Town is fully self-insured for its employee and retiree health insurance activities. The Town is fully insured for workers compensation program for police officers and firefighters. The health insurance activities are accounted for in the internal service fund. The workers' compensation activities are accounted for in the general fund.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many factors. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claims settlement trends, and other economic and social factors.

The Town estimates its incurred but not reported (IBNR) health claims based on historical and current claim payment analysis. The Town purchases individual stop loss insurance for claims in excess of the \$125,000 coverage provided by the Town. At June 30, 2023, the amount of the liability for health insurance claims totaled \$1,253,000.

Changes in the reported liability since July 1, 2021, are as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Year-End
2022.....	\$ 1,118,000	\$ 20,282,378	\$ (20,186,378)	\$ 1,214,000
2023.....	1,214,000	20,270,394	(20,231,394)	1,253,000

Workers' Compensation

The Town's liability related to incurred but not reported claims for police officers and/or firefighter's worker's compensation is not material at June 30, 2023, and is therefore not reported.

NOTE 10 – PENSION PLAN**Plan Descriptions**

The Town is a member of the Middlesex County Retirement System (MCRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 71 member units. The System is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The audited financial report may be obtained by visiting www.middlesexretirement.org.

The Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor

and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <https://mtrs.state.ma.us/service/financial-reports/>.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2022. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$12,165,920 is reported in the general fund as intergovernmental revenue and pension expense in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$147,896,375 as of the measurement date.

Benefits Provided

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

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

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

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the MCRS a legislatively mandated actuarially determined contribution that is apportioned amongst the employers based on the actuarial data. The Town's actual contribution was \$14,484,999, which was equal to its proportionate share of the actuarial required contribution. This amount, when combined with plan member contributions, is expected to finance the cost of benefits earned by plan members during the year, with an additional amount to finance any unfunded liability. The total member contribution is equal to 35.93% of covered payroll.

Pension Liabilities

At June 30, 2023, the Town reported a liability of \$163,486,989 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. Accordingly, roll forward procedures were used to update the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2022, the Town's proportion was 9.63%; which decreased from its 10.18% proportion measured at December 31, 2021.

Pension Expense

For the year ended June 30, 2023, the Town recognized pension expense of \$15,570,041. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 1,201,286	\$ -	\$ 1,201,286
Difference between projected and actual earnings, net.....	13,143,783	-	13,143,783
Changes in assumptions.....	2,822,878	-	2,822,878
Changes in proportion and proportionate share of contributions...	1,947,082	(6,976,688)	(5,029,606)
Total deferred outflows/(inflows) of resources.....	\$ 19,115,029	\$ (6,976,688)	\$ 12,138,341

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

<u>Year ended June 30:</u>	
2024.....	\$ 1,958,008
2025.....	1,584,707
2026.....	2,793,370
2027.....	5,802,256
Total.....	\$ 12,138,341

Actuarial Assumptions

The total pension liability in the January 1, 2022, actuarial valuation was determined using the actuarial assumptions, applied to all periods included in the measurement that was rolled forward to December 31, 2022, on the following page.

Valuation date.....	January 1, 2022.
Actuarial cost method.....	Entry Age Normal Cost Method.
Amortization method - UAAL.....	Prior year's total contribution increased by 6.50% for fiscal 2023, through fiscal 2028, and thereafter the remaining unfunded liability will be amortized on a 4.00% annual increasing basis; ERI liability amortized in level payments.
Remaining amortization period.....	17 years from July 1, 2020, for non-ERI liability, and 2 years from July 1, 2020 for 2010 ERI.
Asset valuation method.....	The difference between the expected return and the actual investment return on a fair value basis is recognized over a five year period. Asset value is adjusted as necessary to be within 20% of the fair value.
Investment rate of return/discount rate.....	7.15%.
Inflation rate.....	3.25%.
Projected salary increases.....	Varies by length of service with ultimate rates of 4.00% for Group 1, 4.25% for Group 2 and 4.50% for Group 4.
Cost of living adjustments.....	3.00% of the first \$16,000 of retirement income.
Mortality rates:	
Pre-Retirement.....	RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2021.
Healthy Retiree.....	RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2021.
Disabled Retiree.....	RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2021.

Investment Policy

The pension plan's policy in regard to the allocation of invested assets is established by PRIT. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2022, are summarized below:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity.....	20.50%	6.59%
International developed markets equity....	12.00%	6.87%
International emerging markets equity.....	4.50%	8.30%
Core fixed income.....	15.00%	1.53%
High-yield fixed income.....	8.00%	3.54%
Real estate.....	10.00%	3.44%
Timber.....	4.00%	4.01%
Hedge Funds, GTAA, risk parity.....	10.00%	3.06%
Private equity.....	16.00%	9.49%
Total.....	100.00%	

Rate of Return

For the year ended December 31, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -11.54%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the net pension liability, calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate:

	1% Decrease (6.15%)	Current Discount (7.15%)	1% Increase (8.15%)
The Town's proportionate share of the net pension liability.....	\$ 202,374,420	\$ 163,486,989	\$ 130,746,987

Changes in Assumptions – None.

Changes in Plan Provisions – None.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The Town of Billerica administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides health, dental and life insurance for eligible retirees and their spouses through a single employer defined Other Postemployment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy

The contribution requirements of plan members and the Town are established and may be amended by the Town. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 50% of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining percentage of their premium costs. For 2023, the Town’s age-adjusted contribution to the plan totaled \$12.0 million.

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish a postemployment benefit trust fund and enabled the Town to raise taxes necessary to begin pre-funding its OPEB liabilities. During 2023, the Town pre-funded future OPEB liabilities totaling \$2.0 million by contributing funds to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2023, the balance of this fund totaled \$12.6 million.

Investment Policy

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

Measurement Date

The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2023.

Employees Covered by Benefit Terms

The following table represents the Plan’s membership at June 30, 2023:

Active members.....	904
Retired, disabled, survivors and beneficiaries receiving benefits.....	<u>911</u>
Total.....	<u><u>1,815</u></u>

Components of OPEB Liability

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

Total OPEB liability.....	\$	228,768,063
Less: OPEB plan's fiduciary net position.....		<u>(12,554,750)</u>
Net OPEB liability.....	\$	<u>216,213,313</u>
The OPEB plan's fiduciary net position		
as a percentage of the total OPEB liability.....		5.49%

Significant Actuarial Methods and Assumptions

The total OPEB liability in the January 1, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, that was updated to June 30, 2023:

Valuation date.....	January 1, 2023.
Actuarial cost method.....	Entry Age Normal Cost Method.
Asset valuation method.....	Fair value of assets with payables and receivables.
Investment rate of return/discount rate...	6.50% per year, net of investment expenses.
Inflation rate.....	2.50% per year.
Health trend rates.....	Commercial Managed Care: 8.58% decreasing to an ultimate rate of 5% in 2032.
	Commercial Indemnity: 8.7% decreasing to an ultimate rate of 5% in 2032.
	Medicare Managed Care: 6.4% decreasing to an ultimate rate of 5% in 2032.
	Medicare Indemnity: 5.79% decreasing to an ultimate rate of 5% in 2032.
Payroll growth.....	3.00% per year.

Mortality rates:

Actives and retirees.....	PUB-2010 Headcount-weighted Mortality Tables, sex-distinct, for Employees and Healthy Retirees projected using generational mortality and scale MP-2021; General (Groups 1&2 and Spouses), Safety (Group 4), and Teachers.
Disabled.....	PUB-2010 Headcount-weighted Mortality Tables, sex-distinct, for Healthy Retirees projected using generational mortality and scale MP-2021; General (Groups 1&2 and Spouses), Safety (Group 4), and Teachers. Set forward 2 years.

Rate of Return

For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 11.42%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The long-term expected real rate of return reflects the expected rate of return on plan assets adjusted for the expected rate of inflation. Note that the discount rate includes the effect of inflation. The long-term real rate of return removes the effect of inflation on the return amounts. It is a long-term assumption and is meant to reflect a reasonable estimate of future experience, based on the expected asset allocation. The allocation percentages are based on information provided by the Town. The real rates of return are based on a March 2023 report by Morgan Stanley Wealth Management, adjusted for an estimated March 2023 2.59% inflation assumption.

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

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
US equities.....	62.00%	5.60%
International developed market equities....	8.00%	4.50%
International emerging market equities.....	5.00%	5.70%
Fixed income - ultra short.....	24.50%	0.50%
Cash.....	0.50%	0.00%
Total.....	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability was 6.50% as of June 30, 2023, and June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be sufficient to make all projected benefit payments to current plan members.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the net other postemployment benefit liability, calculated using the discount rate of 6.50%, as well as what the net other postemployment benefit liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Net OPEB liability.....	\$ 244,671,404	\$ 216,213,313	\$ 192,662,106

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend

The following table presents the net other postemployment benefit liability, calculated using the current healthcare trend rate, as well as what the net other postemployment benefit liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher:

	1% Decrease	Current Trend	1% Increase
Net OPEB liability.....	\$ 188,946,211	\$ 216,213,313	\$ 249,932,750

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2022.....	\$ 273,933,015	\$ 9,550,601	\$ 264,382,414
Changes for the year:			
Service cost.....	5,218,888	-	5,218,888
Interest.....	17,755,669	-	17,755,669
Differences between expected and act	(53,801,872)	-	(53,801,872)
Changes in assumptions.....	(2,362,151)	-	(2,362,151)
Benefit payments.....	(11,975,486)	(11,975,486)	-
Contributions - employer.....	-	13,986,843	(13,986,843)
Net investment income.....	-	992,792	(992,792)
Net change.....	(45,164,952)	3,004,149	(48,169,101)
Balances at June 30, 2023.....	\$ 228,768,063	\$ 12,554,750	\$ 216,213,313

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the Town recognized OPEB expense of \$12,437,688, and reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ -	\$ (61,177,835)	\$ (61,177,835)
Difference between projected and actual earnings, net.....	-	(73,793)	(73,793)
Changes in assumptions.....	8,871,416	(3,171,197)	5,700,219
Changes in proportion.....	1,153,892	(1,153,892)	-
Total deferred outflows/(inflows) of resources.....	\$ 10,025,308	\$ (65,576,717)	\$ (55,551,409)

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

Year ended June 30:

2024.....	\$ (9,899,384)
2025.....	(9,674,416)
2026.....	(9,020,345)
2027.....	(9,222,338)
2028.....	(7,599,017)
Thereafter.....	(10,135,909)
Total deferred outflows/(inflows) of resources.....	\$ (55,551,409)

Changes of Assumptions – The mortality projection scale was changed from MP-2020 to MP-2021, and the future participation rate for active Middlesex County Retirement members (non-teachers) was reduced from 95% to 90%.

Changes in Plan Provisions – None.

NOTE 12 – COMMITMENTS

The Town has a contract with Waste Management, Inc. for the collection and transport of all refuse, recyclables and yard waste which expires June 30, 2027. The rubbish disposal cost for fiscal year 2023 was \$2,383,000 and the amount budgeted for fiscal year 2024 is \$2,510,000. The Town has a solid waste disposal contract with Wheelabrator-North Andover which expires June 30, 2024. The contract has no requirements for guaranteed minimum tonnage; the cost in fiscal year 2023 was \$960,000 and the amount budgeted for fiscal year 2024 is \$1,272,000.

The Town has also entered into, or is planning to enter into, additional contracts totaling approximately \$50.2 million for various projects including sewer line and force main construction, water stand pipe restoration, and DPW facility design.

NOTE 13 – CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards through June 30, 2023, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

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

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 30, 2024, which is the date the financial statements were available to be issued.

NOTE 15 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2023, the following GASB pronouncements were implemented:

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

The following GASB pronouncements will be implemented in the future:

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

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

Required Supplementary Information

General Fund Budgetary Comparison Schedule

The General Fund is the general operating fund of the Town. It is used to account for the entire Town's financial resources, except those required to be accounted for in another fund.

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

YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Amounts	Variance
	Original	Final	Budgetary	Carried Forward	to Final
	Budget	Budget	Amounts	To Next Year	Budget
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 142,166,972	\$ 142,422,774	\$ 142,819,780	\$ -	\$ 397,006
Tax liens.....	-	-	1,368,635	-	1,368,635
Motor vehicle excise taxes.....	7,150,000	7,150,000	7,725,407	-	575,407
Hotel/motel tax.....	500,000	500,000	909,217	-	409,217
Meals tax.....	500,000	500,000	650,864	-	150,864
Cannabis tax.....	300,000	300,000	326,908	-	26,908
Penalties and interest on taxes.....	400,000	400,000	576,918	-	176,918
Fees.....	2,500,000	2,500,000	2,815,839	-	315,839
Licenses and permits.....	1,200,000	1,200,000	1,350,524	-	150,524
Intergovernmental.....	27,566,931	27,566,931	27,562,420	-	(4,511)
Departmental and other.....	580,000	580,000	436,169	-	(143,831)
Investment income.....	245,000	245,000	1,348,958	-	1,103,958
TOTAL REVENUES.....	183,108,903	183,364,705	187,891,639	-	4,526,934
EXPENDITURES:					
Current:					
General government.....	8,500,743	8,611,347	7,945,831	309,962	355,554
Public safety.....	21,651,684	21,840,684	21,418,807	53,214	368,663
Education.....	82,725,571	84,655,863	84,578,907	66,189	10,767
Public works.....	8,727,573	8,872,573	8,717,497	9,747	145,329
Human services.....	1,351,404	1,351,404	1,239,348	4,873	107,183
Culture and recreation.....	3,162,734	3,207,734	3,073,351	5,865	128,518
Pension benefits.....	14,484,999	14,484,999	14,484,999	-	-
Employee benefits.....	21,273,936	21,498,936	21,377,627	33,000	88,309
Building insurance.....	1,441,000	1,441,000	1,300,624	-	140,376
State and county charges.....	5,706,527	5,706,527	5,673,033	-	33,494
Capital outlay.....	2,805,308	2,889,828	2,653,394	213,000	23,434
Debt service:					
Principal.....	3,536,000	3,536,000	3,536,000	-	-
Interest.....	4,256,897	4,453,505	4,392,422	-	61,083
TOTAL EXPENDITURES.....	179,624,376	182,550,400	180,391,840	695,850	1,462,710
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....					
	3,484,527	814,305	7,499,799	(695,850)	5,989,644
OTHER FINANCING SOURCES (USES):					
Use of prior year reserves.....	1,740,826	1,740,826	-	-	(1,740,826)
Use of free cash.....	-	5,022,604	-	-	(5,022,604)
Use of overlay.....	-	1,250,000	-	-	(1,250,000)
Other amounts raised on recap.....	(1,171,407)	(1,171,407)	-	-	1,171,407
Operating subsidy to enterprise funds.....	(4,082,806)	(4,082,806)	(4,082,806)	-	-
Transfers in.....	118,860	2,131,478	2,131,478	-	-
Transfers out.....	(90,000)	(5,705,000)	(5,705,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	(3,484,527)	(814,305)	(7,656,328)	-	(6,842,023)
NET CHANGE IN FUND BALANCE.....	-	-	(156,529)	(695,850)	(852,379)
BUDGETARY FUND BALANCE, Beginning of year.....	13,957,121	13,957,121	13,957,121	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 13,957,121	\$ 13,957,121	\$ 13,800,592	\$ (695,850)	\$ (852,379)

See notes to required supplementary information.

Pension Plan Schedules

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

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

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

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

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
MIDDLESEX COUNTY RETIREMENT SYSTEM**

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2022.....	9.63%	\$ 163,486,989	\$ 39,914,881	409.59%	52.61%
December 31, 2021.....	10.18%	136,488,741	38,284,144	356.52%	61.14%
December 31, 2020.....	9.94%	152,215,238	38,618,991	394.15%	53.42%
December 31, 2019.....	9.83%	157,213,941	37,001,063	424.89%	49.45%
December 31, 2018.....	9.67%	150,770,372	34,022,034	443.16%	46.40%
December 31, 2017.....	9.89%	140,303,356	32,623,751	430.07%	49.27%
December 31, 2016.....	10.14%	143,712,635	33,403,976	430.23%	45.49%
December 31, 2015.....	9.85%	127,076,615	31,382,222	404.93%	46.13%
December 31, 2014.....	9.98%	119,887,544	30,175,213	397.30%	46.13%

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

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

See notes to required supplementary information.

SCHEDULE OF THE TOWN'S CONTRIBUTIONS
MIDDLESEX COUNTY RETIREMENT SYSTEM

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2023.....	\$ 14,484,999	\$ (14,484,999)	\$ -	\$ 40,314,030	35.93%
June 30, 2022.....	13,584,397	(13,587,241)	(2,844)	38,666,985	35.14%
June 30, 2021.....	12,782,396	(12,782,396)	-	39,005,181	32.77%
June 30, 2020.....	11,921,516	(11,921,516)	-	37,371,074	31.90%
June 30, 2019.....	11,509,447	(11,555,045)	(45,598)	34,362,254	33.63%
June 30, 2018.....	10,782,712	(10,790,894)	(8,182)	33,276,226	32.43%
June 30, 2017.....	9,826,635	(9,826,635)	-	34,072,056	28.84%
June 30, 2016.....	9,204,554	(9,204,554)	-	32,009,866	28.76%
June 30, 2015.....	8,541,268	(8,541,268)	-	30,778,717	27.75%

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

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

See notes to required supplementary information.

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

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

Year	Commonwealth's 100% Share of the Associated Net Pension Liability	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2023.....	\$ 147,896,375	\$ 12,165,920	57.75%
2022.....	134,665,063	10,806,311	62.03%
2021.....	169,136,685	20,890,804	50.67%
2020.....	145,874,165	17,689,774	53.95%
2019.....	139,277,465	14,113,754	54.84%
2018.....	132,605,589	13,840,431	54.25%
2017.....	129,786,436	13,239,067	52.73%
2016.....	117,828,979	9,556,979	55.38%
2015.....	90,660,017	6,298,586	61.64%

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

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

See notes to required supplementary information.

Other Postemployment Benefits Plan Schedules

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

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

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

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

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

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
Total OPEB Liability							
Service cost.....	\$ 4,467,069	\$ 4,668,087	\$ 4,649,371	\$ 4,788,852	\$ 5,443,792	\$ 4,783,437	\$ 5,218,888
Interest.....	15,457,336	16,268,614	18,236,207	19,109,455	18,440,835	17,270,439	17,755,669
Differences between expected and actual experience....	-	(8,925,294)	-	-	(24,711,525)	-	(53,801,872)
Changes of assumptions.....	-	24,729,757	-	(4,005,861)	6,209,436	7,114,074	(2,362,151)
Benefit payments.....	<u>(8,729,000)</u>	<u>(10,018,137)</u>	<u>(10,894,860)</u>	<u>(11,809,568)</u>	<u>(11,988,927)</u>	<u>(12,619,724)</u>	<u>(11,975,486)</u>
Net change in total OPEB liability.....	11,195,405	26,723,027	11,990,718	8,082,878	(6,606,389)	16,548,226	(45,164,952)
Total OPEB liability - beginning.....	<u>205,999,150</u>	<u>217,194,555</u>	<u>243,917,582</u>	<u>255,908,300</u>	<u>263,991,178</u>	<u>257,384,789</u>	<u>273,933,015</u>
Total OPEB liability - ending (a).....	<u>\$ 217,194,555</u>	<u>\$ 243,917,582</u>	<u>\$ 255,908,300</u>	<u>\$ 263,991,178</u>	<u>\$ 257,384,789</u>	<u>\$ 273,933,015</u>	<u>\$ 228,768,063</u>
Plan fiduciary net position							
Employer contributions.....	\$ -	\$ 1,000,000	\$ 1,150,000	\$ 1,322,500	\$ 1,520,875	\$ 1,749,006	\$ 2,011,357
Employer contributions for OPEB payments.....	8,729,000	10,018,137	10,894,860	11,809,568	11,988,927	12,619,724	11,975,486
Net investment income/(loss).....	93,675	(55,878)	192,259	(71,329)	1,641,909	(618,418)	992,792
Benefit payments.....	<u>(8,729,000)</u>	<u>(10,018,137)</u>	<u>(10,894,860)</u>	<u>(11,809,568)</u>	<u>(11,988,927)</u>	<u>(12,619,724)</u>	<u>(11,975,486)</u>
Net change in plan fiduciary net position.....	93,675	944,122	1,342,259	1,251,171	3,162,784	1,130,588	3,004,149
Plan fiduciary net position - beginning of year.....	<u>1,626,002</u>	<u>1,719,677</u>	<u>2,663,799</u>	<u>4,006,058</u>	<u>5,257,229</u>	<u>8,420,013</u>	<u>9,550,601</u>
Plan fiduciary net position - end of year (b).....	<u>\$ 1,719,677</u>	<u>\$ 2,663,799</u>	<u>\$ 4,006,058</u>	<u>\$ 5,257,229</u>	<u>\$ 8,420,013</u>	<u>\$ 9,550,601</u>	<u>\$ 12,554,750</u>
Net OPEB liability - ending (a)-(b).....	<u>\$ 215,474,878</u>	<u>\$ 241,253,783</u>	<u>\$ 251,902,242</u>	<u>\$ 258,733,949</u>	<u>\$ 248,964,776</u>	<u>\$ 264,382,414</u>	<u>\$ 216,213,313</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	0.79%	1.09%	1.57%	1.99%	3.27%	3.49%	5.49%
Covered-employee payroll.....	\$ 77,488,000	\$ 72,727,000	\$ 84,915,000	\$ 83,515,882	\$ 94,564,473	\$ 93,910,290	\$ 106,192,950
Net OPEB liability as a percentage of covered-employee payroll.....	278.08%	331.73%	296.65%	309.80%	263.28%	281.53%	203.60%

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

See notes to required supplementary information.

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

<u>Year</u>	<u>Statutorily determined contribution</u>	<u>Contributions in relation to the statutorily determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered employee-payroll</u>	<u>Contributions as a percentage of covered payroll</u>
June 30, 2023.....	\$ 11,975,486	\$ (13,986,843)	\$ (2,011,357)	\$ 106,192,950	13.17%
June 30, 2022.....	12,619,724	(14,368,730)	(1,749,006)	93,910,290	15.30%
June 30, 2021.....	11,988,927	(13,509,802)	(1,520,875)	94,564,473	14.29%
June 30, 2020.....	11,809,568	(13,132,068)	(1,322,500)	83,515,882	15.72%
June 30, 2019.....	10,894,860	(12,044,860)	(1,150,000)	84,915,000	14.18%
June 30, 2018.....	10,018,137	(11,018,137)	(1,000,000)	72,727,000	15.15%
June 30, 2017.....	8,729,000	(8,729,000)	-	77,488,000	11.26%

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

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

Year	Annual money-weighted rate of return, net of investment expense
June 30, 2023.....	11.42%
June 30, 2022.....	-7.34%
June 30, 2021.....	29.00%
June 30, 2020.....	-1.48%
June 30, 2019.....	6.78%
June 30, 2018.....	-2.51%
June 30, 2017.....	6.15%

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

See notes to required supplementary information.

NOTE A – BUDGETARY BASIS OF ACCOUNTINGBudgetary Information

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

Increases or transfers between and within departments subsequent to the approval of the annual budget, requires majority Representative approval via a special article.

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

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

The Town adopts an annual budget for the General Fund in conformity with the guidelines described above. The original 2023 approved budget authorized \$185.0 million in appropriations and other amounts to be raised, as well as \$1.7 million in encumbrances carried forward from the prior year. During 2023 the Town authorized \$8.5 million of supplemental appropriations from free cash, overlay and transfers from stabilization. The supplemental appropriations were approved to fund collective bargaining agreements, transfers to the capital project funds and stabilization funds.

The Town Accountant has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the Town's accounting system.

Budgetary - GAAP Reconciliation

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

Net change in fund balance - budgetary basis.....	\$ (156,529)
<u>Perspective differences:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	(777,317)
<u>Basis of accounting differences:</u>	
Net change in recording tax refunds payable.....	(107,000)
Net change in recording 60 day receipts.....	533,086
Recognition of revenue for on-behalf payments.....	12,165,920
Recognition of expenditures for on-behalf payments.....	<u>(12,165,920)</u>
Net change in fund balance - GAAP basis.....	\$ <u>(507,760)</u>

NOTE B – PENSION PLAN

Pension Plan Schedules

Schedule of the Town's Proportionate Share of the Net Pension Liability

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

Schedule of Town's Contributions

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

Schedule of the Special Funding Amounts of the Net Pension Liabilities

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

Changes of Assumptions – None.

Changes in Plan Provisions – None.

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

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

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

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

Schedule of the Town’s Contributions

The Schedule of the Town’s Contributions includes the Town’s annual required contribution to the Plan, along with the contribution made in relation to the statutorily determined contribution and the covered employee payroll. The Town is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered employee payroll. Methods and assumptions used to determine contribution rates are as follows:

Valuation date.....	January 1, 2023.
Actuarial cost method.....	Entry Age Normal Cost Method.
Asset valuation method.....	Fair value of assets with payables and receivables.
Investment rate of return/discount rate...	6.50% per year, net of investment expenses.
Inflation rate.....	2.50% per year.
Health trend rates	Commercial Managed Care: 8.58% decreasing to an ultimate rate of 5% in 2032.
	Commercial Indemnity: 8.7% decreasing to an ultimate rate of 5% in 2032.
	Medicare Managed Care: 6.4% decreasing to an ultimate rate of 5% in 2032.
	Medicare Indemnity: 5.79% decreasing to an ultimate rate of 5% in 2032.
Payroll growth.....	3.00% per year.

Mortality rates:

Actives and retirees.....	PUB-2010 Headcount-weighted Mortality Tables, sex-distinct, for Employees and Healthy Retirees projected using generational mortality and scale MP-2021; General (Groups 1&2 and Spouses), Safety (Group 4), and Teachers.
Disabled.....	PUB-2010 Headcount-weighted Mortality Tables, sex-distinct, for Healthy Retirees projected using generational mortality and scale MP-2021; General (Groups 1&2 and Spouses), Safety (Group 4), and Teachers. Set forward 2 years.

Schedule of Investment Returns

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

Changes of Assumptions – The mortality projection scale was changed from MP-2020 to MP-2021, and the future participation rate for active Middlesex County Retirement members (non-teachers) was reduced from 95% to 90%.

Changes in Plan Provisions – None.