

TOWN OF WARREN, MASSACHUSETTS

Financial Statements

June 30, 2022

(With Accountants' Report Thereon)

64 Central Street, 2nd Floor

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Town of Warren, Massachusetts
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INDEPENDENT AUDITORS REPORT

Board of Selectmen
Town of Warren
48 High Street
Warren, MA 01083

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and business type activities, each major fund, and the aggregate remaining fund information of the Town of Warren, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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 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 Warren's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Warren's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, and the retirement system schedules, and the other post employment benefit schedules 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 May 30, 2023, on our consideration of the Town of Warren's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Warren's internal control over financial reporting and compliance.

James J Giusti, CPA, PC

James J Giusti, CPA, PC
Certified Public Accountant
Georgetown, Massachusetts
May 30, 2023

**Town of Warren, Massachusetts
Management’s Discussion and Analysis
Required Supplementary Information
June 30, 2022**

As management of the Town of Warren, Massachusetts, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Town of Warren, Massachusetts for the fiscal year ended June 30, 2022.

Financial Statements

The Town of Warren, Massachusetts has implemented GASB 34 (Governmental Accounting Standards Board Statement number 34). This statement requires all governments to account for and report capital assets in its Financial Statements. In addition, GASB 34 establishes new criteria regarding the form and content of governmental financial statements. Please refer to the **Table of Contents** at the beginning of these Financial Statements for a summary of where the information explained here is presented in these Financial Statements.

Before the implementation of GASB 34, the financial statements were called **General Purpose Financial Statements (GPFS)**. Under the new GASB 34 reporting model, the **GPFS** have been eliminated and replaced by “**Fund Financial Statements**”. These **Fund Financial Statements** are similar to the **GPFS**, but are presented in a more consolidated manner.

One of the biggest changes created by the GASB 34 Reporting Model relates to the addition of two new financial statements. These financial statements are called **Government-wide Financial Statements**. The first statement is called the **Statement of Net Position** and the second one is called the **Statement of Activities**. An explanation of these **Government-wide Financial Statements** is provided below and additional information about them can be found in the “**Notes to the Financial Statements**”.

Financial Highlights

- The assets and deferred outflows of the Town of Warren, Massachusetts exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$11,587,205 (*net position*).
- The Towns total General Fund, Fund Balance, as of June 30, 2022, is \$4,178,787. This balance represents an increase of \$402,897 from June 30, 2021. The June 30, 2022, fund balance, represents 45% of the total current year general fund expenditures. The general fund, fund balance includes the Town’s Stabilization Fund Balance (fair market value of \$1,801,778 as of June 30, 2022) which is reported as a component of the general fund in accordance with GASB 34.
- In fiscal year 2018, the Town implemented Governmental Accounting Standards Board Statement # 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The new standard requires reporting the entire total OPEB liability. Previous standards required reporting the liability over a thirty year “phase in” period. The resulting calculation was reported as the Net OPEB Obligation.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction of the Town of Warren, Massachusetts' basic financial statements. The Town of Warren, Massachusetts' basic financial statements consist of the following: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

The *statement of net position* presents information on all of the Town of Warren, Massachusetts' assets and liabilities, with the differences between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Warren, Massachusetts is improving or deteriorating.

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

The government-wide financial statements have separate columns for governmental activities and business-type activities. The Town's activities are classified as follows:

- **Governmental Activities** – Activities reported here include education, public safety, public works, library and general administration. Property taxes, motor vehicle excise taxes, federal, state and other local revenues finance these activities.
- **Business-type Activities** - Amounts reported here are for sewer services and landfill activities. User fees charged to the customers receiving services finance these activities.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Warren, Massachusetts, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Warren, Massachusetts 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 financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

Proprietary funds. The Town of Warren, Massachusetts maintains one proprietary fund type. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town of Warren, Massachusetts uses enterprise funds to account for its sewer operation and for landfill activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer and landfill operations.

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

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Town of Warren, Massachusetts' progress in funding its obligation to provide pension and OPEB benefits to its employees. The *required supplementary information* also includes budget versus actual information.

Reconciliation of Government-wide Financial Statements to Fund Financial Statements

The governmental activities of the government-wide financial statements and the governmental funds of the fund financial statements do not use the same accounting basis and measurement focus. Capital assets and long-term liabilities are not included on the balance sheet of the governmental funds but are included on the statement of net position. Capital assets are recorded as expenditures when they are purchased in the governmental funds and depreciated over the useful life in the government-wide financial statements. We have included schedules that provide a crosswalk from the government-wide financial statements to the governmental funds of the fund financial statements:

- Reconciliation of the Governmental funds balance sheet – total fund balances to the statement of net position.
- Reconciliation of the statement of revenues and expenditures and changes in fund balance of governmental funds to the statement of activities.

The reconciliation of government-wide financial statements to enterprise funds of the fund financial statements is not necessary. The business-type activities of the government-wide financial statements and the enterprise funds use the same accounting basis and measurement focus.

Financial Analysis of the Government-wide Financial Statements

Net Position

Net position may serve over time as a useful indicator of a government's financial position. However, the net position of governmental activities should be viewed independently from business-type activities.

Revenues of the business-type activities are used to finance the operations of the Sewer Enterprise Fund and landfill fund. The following table reflects the condensed net position.

Net Position

June 30, 2022

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current and Other Assets	\$ 8,829,397	\$ 6,944,757	\$ 1,023,930	\$ 1,159,818	\$ 9,853,327	\$ 8,104,575
Capital Assets	10,825,818	10,417,842	3,905,666	4,031,691	14,731,484	14,449,533
Total Assets	<u>19,655,215</u>	<u>17,362,599</u>	<u>4,929,596</u>	<u>5,191,509</u>	<u>24,584,811</u>	<u>22,554,108</u>
Deferred Outflow of Resources						
Pension and OPEB	858,971	651,817	27,499	38,036	886,470	689,853
Total Deferred Outflow of Resources	<u>858,971</u>	<u>651,817</u>	<u>27,499</u>	<u>38,036</u>	<u>886,470</u>	<u>689,853</u>
Current Liabilities	646,854	566,995	24,000	46,227	670,854	613,222
Long Term Liabilities	8,806,921	9,780,677	1,356,867	1,649,122	10,163,788	11,429,799
Total Liabilities	<u>9,453,775</u>	<u>10,347,672</u>	<u>1,380,867</u>	<u>1,695,349</u>	<u>10,834,642</u>	<u>12,043,021</u>
Deferred Inflow of Resources						
Pension and OPEB	2,782,479	1,460,466	266,955	27,086	3,049,434	1,487,552
Total Deferred Inflow of Resources	<u>2,782,479</u>	<u>1,460,466</u>	<u>266,955</u>	<u>27,086</u>	<u>3,049,434</u>	<u>1,487,552</u>
Net Position:						
Net Investment in Capital Assets	9,449,134	9,009,917	3,012,863	3,115,472	12,461,997	12,125,389
Restricted	2,738,055	1,436,854	40,719	40,688	2,778,774	1,477,542
Unrestricted (Deficit)	(3,909,257)	(4,240,493)	255,691	373,649	(3,653,566)	(3,866,844)
Total Net Position	<u>\$ 8,277,932</u>	<u>\$ 6,206,278</u>	<u>\$ 3,309,273</u>	<u>\$ 3,529,809</u>	<u>\$ 11,587,205</u>	<u>\$ 9,736,087</u>

The net position of the Town increased by \$1,746,981 (not including prior period adjustments).

Changes in Net Position

The following condensed financial information was derived from the government-wide Statement of Activities. It reflects how the Town's net position has changed during the fiscal year.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 627,195	\$ 515,422	\$ 650,101	\$ 571,228	\$ 1,277,296	\$ 1,086,650
Operating Grants and Contributions	2,490,515	1,865,643	-	1,951	2,490,515	1,867,594
Capital Grants and Contributions	-	33,268	-	-	-	33,268
General Revenues:						
Property Taxes	7,089,686	6,915,024	-	-	7,089,686	6,915,024
Tax Liens and Possessions	2,695	-	-	-	2,695	-
Motor Vehicle and Other Excises	575,454	597,444	-	-	575,454	597,444
Intergovernmental Not Restricted to a Specific Program	994,363	985,099	-	-	994,363	985,099
Other	240,681	250,449	-	-	240,681	250,449
Total Revenues	<u>12,020,589</u>	<u>11,162,349</u>	<u>650,101</u>	<u>573,179</u>	<u>12,670,690</u>	<u>11,735,528</u>

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Expenses						
General Government	1,046,900	691,616	-	-	1,046,900	691,616
Public Safety	1,960,662	1,504,025	-	-	1,960,662	1,504,025
Education	4,174,732	4,114,858	-	-	4,174,732	4,114,858
Intergovernmental	23,103	24,144	-	-	23,103	24,144
Highways and Public Works	1,045,342	2,469,389	-	-	1,045,342	2,469,389
Human Services	262,722	226,595	-	-	262,722	226,595
Culture and Recreation	329,691	255,387	-	-	329,691	255,387
Employee Benefits	1,215,504	1,310,148	-	-	1,215,504	1,310,148
Debt Service	78,491	80,674	-	-	78,491	80,674
Sewer	-	-	654,529	590,482	654,529	590,482
Landfill	-	-	97,327	22,086	97,327	22,086
Total Expenses	10,137,147	10,676,836	751,856	612,568	10,889,003	11,289,404
Increase (Decrease) in Net Position						
Before Special Items and Transfers	1,883,442	485,513	(101,755)	(39,389)	1,781,687	446,124
Special Items and Transfers	84,798	119,504	(119,504)	(119,504)	(34,706)	-
Increase (Decrease) in Net Position	<u>\$ 1,968,240</u>	<u>\$ 605,017</u>	<u>\$ (221,259)</u>	<u>\$ (158,893)</u>	<u>\$ 1,746,981</u>	<u>\$ 446,124</u>

Governmental Activities

In fiscal year 2022, property taxes accounted for approximately 59.0 % of the revenues.

Business-type Activities

Sewer rates are structured to cover all costs related to each activity.

Financial Analysis of the Town's Funds

Governmental Funds

The focus of the Town of Warren, Massachusetts' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Warren, Massachusetts' financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Town of Warren, Massachusetts itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Town of Warren, Massachusetts' Selectmen.

General Fund – Based upon the balance sheet as of the close of each fiscal year, the Commonwealth of Massachusetts' Department of Revenue (DOR) determines the amount of general fund balance available for appropriation. In general, this amount (commonly known as "free cash") is generated when actual revenues on a cash basis exceed budgeted amounts and expenditures and encumbrances (unpaid commitments) are less than appropriations, or both.

GASB 54 was implemented during a prior fiscal year, as a result, the account titles of the Component of Fund Balance have changed, as noted below. In addition, in accordance with the GASB 54 requirements, the stabilization fund (fair market value of \$1,801,778 as of June 30, 2022) is now reported as a component of the General Fund.

The following table reflects the trend in all the components of fund balance and free cash for the previous several fiscal years.

**Changes in Fund Balance and Free Cash
General Fund**

<u>Fiscal Year</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Total Fund Balance</u>	<u>Free Cash</u>
2015	\$ -	\$ -	\$ 197,057	\$ 1,752,412	\$ 1,949,469	\$ 283,109
2016	-	-	208,019	1,883,971	2,091,990	382,722
2017	-	-	126,501	1,978,566	2,105,067	383,638
2018	-	-	352,734	2,064,002	2,416,736	493,233
2019	-	-	297,342	2,175,075	2,472,417	513,539
2020	-	-	341,638	2,118,775	2,460,413	242,931
2021	-	-	591,948	3,183,942	3,775,890	1,383,221
2022	-	-	1,086,604	3,092,183	4,178,787	1,164,080

Proprietary Funds

The Town of Warren, Massachusetts' proprietary funds provides the same type of information found in the government-wide financial statements, but in more detail.

General Fund Budgetary Highlights

The differences between the original budget and the final amended budget was due primarily to Special Town Meetings that were held by the Town. At the Town meetings, free cash and other available funds were appropriated.

Conservative budget estimates allowed the Town to experience favorable operating results for both revenues and expenditures.

Capital Asset and Debt Administration

Capital assets. The Town of Warren, Massachusetts' investment in capital assets for its governmental and business type activities as of June 30, 2022, amounts to \$14,731,486 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, equipment and vehicles.

**Capital Assets
(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Land	\$ 6,816,753	\$ 6,816,753	\$ 235,750	\$ 235,750	\$ 7,052,503	\$ 7,052,503
Buildings	1,893,756	1,947,348	1,026,136	1,078,544	2,919,892	3,025,892
Infrastructure	876,334	559,450	2,581,128	2,641,280	3,457,462	3,200,730
Equipment	1,238,975	1,094,291	62,654	76,117	1,301,629	1,170,408
Total	\$ 10,825,818	\$ 10,417,842	\$ 3,905,668	\$ 4,031,691	\$ 14,731,486	\$ 14,449,533

Debt

The Town had \$2,270,204 in bonds outstanding on June 30, 2022. The total long-term debt decreased by \$53,940 during the current year.

The Town's bond rating by Moody's Investor Services is A1.

	<u>2022</u>	<u>2021</u>
Governmental Activities		
General Obligation Bonds Payable	\$ 1,376,684	\$ 1,407,925
Business-type Activities		
Sewer	893,520	916,219
Total Debt	<u>\$ 2,270,204</u>	<u>\$ 2,324,144</u>

Fiscal Year 2022 Budget

An initiative state statute, commonly known as "Proposition 2 ½", limits the amount of property taxes that a Town can assess in any one year. In general, the Town's property tax levy may increase by 2 ½ percent over the prior year's allowable tax levy, plus any additional amount derived by new developments or other changes made to existing property. If a community wishes to levy taxes above the limitations imposed by "Proposition 2 ½", it is necessary to obtain the approval of a majority of the voters at an election. The Town used general fund unreserved fund balance and other reserves to help fund the 2022 budget.

Request for Information

This financial report is designed to provide a general overview of the Town of Warren, Massachusetts's finances for all those with an interest in government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Town of Warren
Finance Department
48 High Street
Warren, MA 01083

Town of Warren, Massachusetts
Statement of Net Position
June 30, 2022
(Continued on Page 12)

	Governmental <u>Activities</u>	Business - Type <u>Activities</u>	Government- Wide <u>Total</u>
Assets			
Current:			
Cash/Investments	\$ 6,797,835	\$ 764,315	\$ 7,562,150
Receivables:			
Property Taxes	309,905	-	309,905
Tax Liens	493,658	78,881	572,539
Other	3,157	-	3,157
Excises	246,274	-	246,274
Departmental	358,575	-	358,575
User Charges	-	180,015	180,015
Intergovernmental	619,522	-	619,522
Noncurrent:			
Capital Assets:			
Assets Not Being Depreciated	6,816,753	235,750	7,052,503
Assets Being Depreciated, Net	<u>4,009,065</u>	<u>3,669,916</u>	<u>7,678,981</u>
Total Assets	<u>19,655,215</u>	<u>4,929,596</u>	<u>24,584,811</u>
Deferred Outflow of Resources			
Pension	723,548	-	723,548
OPEB	<u>135,423</u>	<u>27,499</u>	<u>162,922</u>
Total Deferred Outflow of Resources	<u>858,971</u>	<u>27,499</u>	<u>886,470</u>
Total Assets and Deferred Outflow of Resources	<u>20,514,186</u>	<u>4,957,095</u>	<u>25,471,281</u>
Liabilities			
Current:			
Employees' Withholding Payable	74,335	-	74,335
Other Liabilities	17,268	-	17,268
Guarantee Deposits	350,132	-	350,132
Accrued Interest	49,690	808	50,498
Bonds Payable	32,529	23,192	55,721
Bond Anticipation Notes Payable	122,900	-	122,900
Noncurrent:			
Bonds Payable	1,344,155	870,328	2,214,483
Net Pension Liability	5,269,309	-	5,269,309
OPEB Liability	2,093,746	138,717	2,232,463
Compensated Absences	99,711	7,822	107,533
Landfill Post Closure Accrued Liability	<u>-</u>	<u>340,000</u>	<u>340,000</u>
Total Liabilities	<u>9,453,775</u>	<u>1,380,867</u>	<u>10,834,642</u>
Deferred Inflow of Resources			
Pension	1,066,721	-	1,066,721
OPEB	<u>1,715,758</u>	<u>266,955</u>	<u>1,982,713</u>
Total Deferred Inflow of Resources	<u>2,782,479</u>	<u>266,955</u>	<u>3,049,434</u>
Total Liabilities and Deferred Inflow of Resources	<u>12,236,254</u>	<u>1,647,822</u>	<u>13,884,076</u>

The Notes to the Financial Statements
are an Integral Part of this Exhibit

Town of Warren, Massachusetts
Statement of Net Position
June 30, 2022
(Continued from Page 11)

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Government- Wide Total</u>
Net Position			
Net Investment in Capital Assets	9,449,134	3,012,863	12,461,997
Restricted for:			
Capital Projects	(116,253)	38,383	(77,870)
Betterment Trust	-	2,336	2,336
Special Revenue	2,393,574	-	2,393,574
Perpetual Funds:			
Expendable	125,381	-	125,381
Nonexpendable	335,353	-	335,353
Unrestricted (Deficit)	<u>(3,909,257)</u>	<u>255,691</u>	<u>(3,653,566)</u>
 Total Net Position	 <u>\$ 8,277,932</u>	 <u>\$ 3,309,273</u>	 <u>\$ 11,587,205</u>

The Notes to the Financial Statements
are an Integral Part of this Exhibit

Town of Warren, Massachusetts
Statement of Activities
Fiscal Year Ended June 30, 2022

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
<i>Governmental Activities:</i>							
General Government	\$ 1,046,900	\$ 69,031	\$ 6,744	\$ -	\$ (971,125)	\$ -	\$ (971,125)
Public Safety	1,960,662	432,531	1,993,352	-	465,221	-	465,221
Education	4,174,732	20,452	-	-	(4,154,280)	-	(4,154,280)
Intergovernmental	23,103	-	-	-	(23,103)	-	(23,103)
Highways and Public Works	1,045,342	6,620	348,973	-	(689,749)	-	(689,749)
Human Services	262,722	59,526	52,102	-	(151,094)	-	(151,094)
Culture and Recreation	329,691	39,035	44,081	-	(246,575)	-	(246,575)
Employee Benefits	1,215,504	-	45,263	-	(1,170,241)	-	(1,170,241)
Debt Service	78,491	-	-	-	(78,491)	-	(78,491)
Total Governmental Activities	<u>10,137,147</u>	<u>627,195</u>	<u>2,490,515</u>	<u>-</u>	<u>(7,019,437)</u>	<u>-</u>	<u>(7,019,437)</u>
<i>Business-Type Activities:</i>							
Sewer	654,529	649,765	-	-	-	(4,764)	(4,764)
Landfill	97,327	336	-	-	-	(96,991)	(96,991)
Total Business-Type Activities	<u>751,856</u>	<u>650,101</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(101,755)</u>	<u>(101,755)</u>
Total	<u>\$ 10,889,003</u>	<u>\$ 1,277,296</u>	<u>\$ 2,490,515</u>	<u>\$ -</u>	<u>(7,019,437)</u>	<u>(101,755)</u>	<u>(7,121,192)</u>
<i>General Revenues:</i>							
Property Taxes					7,089,686	-	7,089,686
Motor Vehicle and Other Excise Taxes					575,454	-	575,454
Penalties and Interest on Taxes					154,930	-	154,930
Intergovernmental					994,363	-	994,363
Interest and Investment Income					9,991	-	9,991
Other Revenue					75,760	-	75,760
<i>Special Items:</i>							
Transfers In (Out)					84,798	(119,504)	(34,706)
Total General Revenues, Special Items and Transfers					<u>8,987,677</u>	<u>(119,504)</u>	<u>8,868,173</u>
Change in Net Position					1,968,240	(221,259)	1,746,981
<i>Net Position:</i>							
Beginning of the Year					<u>6,206,278</u>	<u>3,529,809</u>	<u>9,736,087</u>
Prior Period Adjustments					<u>103,414</u>	<u>723</u>	<u>104,137</u>
Beginning of Year, as Restated					<u>6,309,692</u>	<u>3,530,532</u>	<u>9,840,224</u>
End of the Year					<u>\$ 8,277,932</u>	<u>\$ 3,309,273</u>	<u>\$ 11,587,205</u>

The Notes to the Financial Statements
are an Integral Part of this Exhibit

Town of Warren, Massachusetts
Governmental Funds
Balance Sheet
June 30, 2022

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Cash/Investments	\$ 4,204,678	\$ 2,593,157	\$ 6,797,835
Receivables:			
Property Taxes	309,905	-	309,905
Tax Liens	482,348	11,310	493,658
Other	3,157	-	3,157
Excises	246,274	-	246,274
Departmental	358,575	-	358,575
Intergovernmental		619,522	619,522
Tax Foreclosures	<u>187,568</u>	<u>-</u>	<u>187,568</u>
Total Assets	<u>\$ 5,792,976</u>	<u>\$ 3,223,989</u>	<u>\$ 9,016,965</u>
 Liabilities, Deferred Inflows of Resources and Fund Equity:			
Liabilities:			
Employees' Withholding Payable	\$ 74,335	\$ -	\$ 74,335
Other Liabilities	4,366	12,902	17,268
Guarantee Deposits	-	350,132	350,132
Bonds Anticipation Notes Payable	<u>-</u>	<u>122,900</u>	<u>122,900</u>
Total Liabilities	<u>78,701</u>	<u>485,934</u>	<u>564,635</u>
 Deferred Inflows of Resources:			
Unavailable Revenues	<u>1,535,488</u>	<u>619,522</u>	<u>2,155,010</u>
Total Deferred Inflows of Resources	<u>1,535,488</u>	<u>619,522</u>	<u>2,155,010</u>
 Fund Equity:			
Fund Balances:			
Nonspendable		125,381	125,381
Restricted		2,109,405	2,109,405
Assigned	1,086,604	-	1,086,604
Unassigned	<u>3,092,183</u>	<u>(116,253)</u>	<u>2,975,930</u>
Total Fund Equity	<u>4,178,787</u>	<u>2,118,533</u>	<u>6,297,320</u>
Total Liabilities Deferred Inflows of Resources and Fund Equity	<u>\$ 5,792,976</u>	<u>\$ 3,223,989</u>	<u>\$ 9,016,965</u>

The Notes to the Financial Statements
are an Integral Part of this Exhibit

Town of Warren, Massachusetts
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Fiscal Year Ended June 30, 2022

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues:</u>			
Property Taxes	\$ 7,072,038	\$ -	\$ 7,072,038
Tax Liens	128,794	-	128,794
Excises	603,375	-	603,375
Penalties and Interest	155,173	-	155,173
Licenses and Permits	70,530	3,100	73,630
Intergovernmental	1,097,625	2,372,281	3,469,906
Charges for Services	341,955	39,951	381,906
Fines and Forfeits	11,187	220	11,407
Earnings (Losses) on Investments	7,281	29,650	36,931
In Lieu of Taxes	2,695	-	2,695
Contributions		74,340	74,340
Miscellaneous	37,133	19,183	56,316
Total Revenues	9,527,786	2,538,725	12,066,511
<u>Expenditures:</u>			
General Government	1,013,148	5,590	1,018,738
Public Safety	1,609,550	737,270	2,346,820
Education	4,174,732	-	4,174,732
Intergovernmental	23,103	-	23,103
Highways and Public Works	710,928	358,885	1,069,813
Human Services	239,718	21,035	260,753
Culture and Recreation	243,689	82,567	326,256
Employee Benefits	1,072,784	-	1,072,784
Debt Service	110,859	-	110,859
Total Expenditures	9,198,511	1,205,347	10,403,858
Excess of Revenues Over (Under) Expenditures	329,275	1,333,378	1,662,653
<u>Other Financing Sources (Uses):</u>			
Transfers In	73,622	62,125	135,747
Transfers (Out)		(50,949)	(50,949)
Total Other Financing Sources (Uses)	73,622	11,176	84,798
Excess of Revenues and Other/Sources Over (Under) Expenditures and Other Uses	402,897	1,344,554	1,747,451
Fund Balance, Beginning	3,775,890	773,979	4,549,869
Fund Balance, Ending	\$ 4,178,787	\$ 2,118,533	\$ 6,297,320

The Notes to the Financial Statements
are an Integral Part of this Exhibit

Town of Warren, Massachusetts
 Reconciliation of the Governmental Funds Balance Sheet
 Total Fund Balances to the Statement of Net Position
 June 30, 2022

Total governmental fund balances	\$	6,297,320
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		10,825,818
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		1,967,442
Certain changes in the net pension and OPEB liabilities are required to be included as expenses in future periods. These changes are reported as deferred outflows/ deferred inflows of resources related to pensions and OPEB.		
Deferred Outflows of Resources - Pensions and Other Post Employment Benefits		858,971
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds Payable		(1,376,684)
Accrued Interest on Bonds		(49,690)
OPEB Accrued Liability		(2,093,746)
Net Pension Liability		(5,269,309)
Deferred Inflows of Resources - Pensions and Other Post Employment Benefits		(2,782,479)
Compensated Absences		(99,711)
		(99,711)
Net position of governmental activities	\$	8,277,932

The Notes to the Financial Statements
 are an Integral Part of this Exhibit

Town of Warren, Massachusetts
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 June 30, 2022

Net change in fund balances - total governmental funds \$ 1,747,451

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. This is the change related to the activity.

Capital Outlay	\$ 609,102	
Depreciation	<u>(201,126)</u>	
Net Effect of Reporting Capital Assets		407,976

Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in Unearned Revenue. (45,922)

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 31,241

Some expenses reported in the Statement of Activities, such as compensated absences, pensions, accrued interest, OPEB liability do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. This represents the difference of those items from the prior year.

Accrued Interest Payable	1,127	
Net Pension Liability	(71,225)	
OPEB Liability	<u>(71,495)</u>	
Net Effect of Reporting Other Items		<u>(172,506)</u>

Change in net position of governmental activities \$ 1,968,240

The Notes to the Financial Statements
 are an Integral Part of this Exhibit

Town of Warren, Massachusetts
Proprietary Funds
Statement of Net Position
June 30, 2022

	<u>Sewer</u>	<u>Landfill</u>	<u>Total</u>
Assets			
Current:			
Cash and Cash Investments	\$ 635,136	\$ 129,179	\$ 764,315
Other Asset	719		719
Receivables, Net of Allowance for Uncollectibles:			
User Charges	180,015	-	180,015
Liens	78,881	-	78,881
Noncurrent:			
Assets Not Being Depreciated	17,200	218,550	235,750
Assets Being Depreciated, Net	3,528,319	141,597	3,669,916
Total Assets	4,440,270	489,326	4,929,596
Deferred Outflows of Resources			
OPEB	27,499	-	27,499
Total Deferred Outflows of Resources	27,499	-	27,499
Liabilities			
Current:			
Bonds Payable	23,192	-	23,192
Accrued Interest Payable	808	-	808
Noncurrent:			
Bonds Payable	\$870,328	-	870,328
Landfill Post Closure Accrued Liability	-	340,000	340,000
Accrued OPEB Liability	138,717	-	138,717
Compensated Absences	7,822	-	7,822
Total Liabilities	1,040,867	340,000	1,380,867
Deferred Inflows of Resources			
OPEB	266,955	-	266,955
Total Deferred Inflows of Resources	266,955	-	266,955
Net Position			
Net Investment in Capital Assets	2,652,718	360,145	3,012,863
Restricted for:			
Capital Project	38,383	-	38,383
Betterment Trust	2,336	-	2,336
Unrestricted	466,510	(210,819)	255,691
Total Net Position	\$ 3,159,947	\$ 149,326	\$ 3,309,273

The Notes to the Financial Statements
are an Integral Part of this Exhibit

Town of Warren, Massachusetts
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Fiscal Year Ended June 30, 2022

	<u>Business-Type Activities</u>		
	Sewer	Landfill	<u>Total</u>
	<u>Enterprise</u>	<u>Enterprise</u>	
Operating Revenues:			
Charges for Services	\$ 649,765	\$ 336	\$ 650,101
Total Operating Revenues	<u>649,765</u>	<u>336</u>	<u>650,101</u>
Operating Expenditures:			
Operating Expenses	532,025	93,806	625,831
Depreciation	<u>122,504</u>	<u>3,521</u>	<u>126,025</u>
Total Operating Expenditures	<u>654,529</u>	<u>97,327</u>	<u>751,856</u>
Operating Income (Loss)	<u>(4,764)</u>	<u>(96,991)</u>	<u>(101,755)</u>
Other Financing Sources (Uses):			
Transfers In (Out)	<u>(178,704)</u>	<u>59,200</u>	<u>(119,504)</u>
Total Transfers, Net	<u>(178,704)</u>	<u>59,200</u>	<u>(119,504)</u>
Changes In Net Position	<u>(183,468)</u>	<u>(37,791)</u>	<u>(221,259)</u>
Total Net Position Beginning	<u>3,342,692</u>	<u>187,117</u>	<u>3,529,809</u>
Prior Period Adjustment	<u>723</u>	<u>-</u>	<u>723</u>
Total Net Position Beginning as Restated	<u>3,343,415</u>	<u>187,117</u>	<u>3,530,532</u>
Total Net Position Ending	<u>\$ 3,159,947</u>	<u>\$ 149,326</u>	<u>\$ 3,309,273</u>

The Notes to the Financial Statements
are an Integral Part of this Exhibit

Town of Warren, Massachusetts
Statement of Cash Flows
Proprietary Fund

	<u>Business-Type Activities</u>		
	<u>Sewer Enterprise</u>	<u>Landfill Enterprise</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 647,797	\$ 336	\$ 648,133
Operating Expenditures	<u>(556,398)</u>	<u>(93,806)</u>	<u>(650,204)</u>
Net Cash Flows Provided (Used) by Operating Activities	<u>91,399</u>	<u>(93,470)</u>	<u>(2,071)</u>
Cash Flows from Non Capital Related Financing Activities:			
Transfer (To) from Other Funds	<u>(178,704)</u>	<u>59,200</u>	<u>(119,504)</u>
Net Cash Flows Provided (Used) by Non Capital Related Financing Activities	<u>(178,704)</u>	<u>59,200</u>	<u>(119,504)</u>
Cash Flows from Capital and Related Financing Activities:			
Change to Landfill Closure Payable	<u>-</u>	<u>(17,000)</u>	<u>(17,000)</u>
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>(17,000)</u>	<u>(17,000)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(87,305)	(51,270)	(138,575)
Cash and Cash Equivalents, Beginning	<u>722,441</u>	<u>180,449</u>	<u>902,890</u>
Cash and Cash Equivalents, Ending	<u>\$ 635,136</u>	<u>\$ 129,179</u>	<u>\$ 764,315</u>
Reconciliation of Net Income to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (4,764)	\$ (96,991)	\$ (101,755)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	122,504	3,521	126,025
Increase (Decrease) in Liabilities:			
Other Adjustments	<u>(26,341)</u>	<u>-</u>	<u>(26,341)</u>
Net Cash Provided by Operating Activities	<u>\$ 91,399</u>	<u>\$ (93,470)</u>	<u>\$ (2,071)</u>

The Notes to the Financial Statements
are an Integral Part of this Exhibit

Town of Warren, Massachusetts
 Fiduciary Funds
 Statement of Net Position
 June 30, 2022

	Private - Purpose <u>Trust</u>
Assets	
Cash and Cash Investments	\$ 123,537
	<hr/>
Total Assets	123,537
	<hr/>
Liabilities	
Current:	
Guarantee Deposits	-
Other Liabilities	-
	<hr/>
Total Liabilities	-
	<hr/>
Net Position	
Reserved for Individuals, and Other Expendable	77,503
Nonexpendable	46,034
	<hr/>
Total Net Position	\$ 123,537
	<hr/> <hr/>

The Notes to the Financial Statements
 are an Integral Part of this Exhibit

Town of Warren, Massachusetts
 Fiduciary Funds
 Statement of Changes in Net Position
 Fiscal Year Ended June 30, 2022

	Private - Purpose <u>Trust</u>
Additions:	
Gifts and Earnings (Losses) on Investments	<u>\$ 1,589</u>
Total Additions (Losses)	<u>1,589</u>
Deductions:	
Benefits and Other Reductions	<u>146</u>
Total Deductions	<u>146</u>
Change in Net Position	<u>1,443</u>
Net Position:	
Beginning of the Year	<u>122,094</u>
End of the Year	<u><u>\$ 123,537</u></u>

The Notes to the Financial Statements
 are an Integral Part of this Exhibit

I **Summary of Significant Accounting Policies**

The accounting policies of the Town of Warren, Massachusetts, as reflected in the accompanying financial statements for the year ended June 30, 2022, conform to accounting principles generally accepted in the United States of America for local government units, except as indicated hereafter.

The more significant accounting policies of the Town are summarized below.

(A) **Reporting Entity**

The Town's basic financial statements include the operations of all organizations for which the Board of Selectmen exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Excluded from the Reporting Entity:

Warren Housing Authority – The Warren Housing Authority has its own elected board. The Town does not exercise any oversight authority and has no influence in its budget or operations.

Quaboag Regional School District – The Quaboag Regional School District is a separate legal entity unrelated to the governing body of the Town. The School District is governed by an independently elected school board and shares no common members nor any administrative functions with the Town. The lack of any interdependence with the Town precludes the inclusion of the School District in this report.

(B) **Government-wide and fund financial statements**

The **government-wide financial statements** (i.e., the **statement of net position** and the **statement of activities**) report information on all the non-fiduciary activities of the primary government and its component units. For the most part, the effect of the interfund activity has been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given 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 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Major Fund Criteria

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

- If the total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10% 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, liabilities and deferred inflows, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding element for all governmental and enterprise funds combined.

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.

(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, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. These revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Primary sources of revenue considered susceptible to accrual consist principally of real estate and personal property taxes, motor vehicle excise tax, amounts due under grants, charges for services and investment income. Property taxes are recognized as revenue in the year for which taxes have been levied, provided they are collected within 60 days after year end. All other revenues are recognized when received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated vacation, accumulated sick pay, and other employee amounts which are not to be liquidated from expendable and available resources; and (2) debt service expenditures which are recognized when due. Agency fund assets and liabilities are accounted for on the modified accrual basis of accounting.

The Town reports the following major governmental fund:

General Fund – This is the Town’s general operating fund. It accounts for all financial resources of the general government except those required to be accounting for in another fund. In accordance with the GASB 54 requirements, the stabilization fund is now reported as a component of the general fund.

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the nonmajor governmental funds column on the governmental funds financial statements. The following types are funds that are included in the nonmajor category:

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 expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets for the governmental funds.

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

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

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

The Town reports the following proprietary funds:

Sewer Fund – This fund is used to account for the activities related to the sewer distribution system.

Landfill Fund – This fund is used to account for landfill activities.

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

The following fiduciary fund types are reported:

The private-purpose trust fund is used to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion to be spent. The Town maintains a private purpose trust fund for several charitable trusts funds.

The agency fund is used to account for assets held in a purely custodial capacity.

(D) Assets, Liabilities and Net Position or Equity

i Deposits and Investments

The Town's cash and cash equivalents are considered to be demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain prescribed levels without collateralization by the financial institutions involved. Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase, and units in the Massachusetts Municipal Depository Trust ("MMDT").

Also, certain governmental funds (primarily trust funds) have broader investment powers which allow for investments in common stocks, corporate bonds and other types of investments.

ii Property Taxes

The Town's fiscal year runs from July 1 to June 30. Taxes are levied to the owner of record on the preceding January 1. Estimated bills (based on the prior year) are due on August 1 and November 1. Actual bills are mailed after the tax rate has been set and are due on February 1 and May 1. Property taxes attach as enforceable liens on property as of July 1st of the next fiscal year.

The Town is permitted under state law to levy property taxes up to 2.5% of the full and fair cash value of the Town's property. In addition, the law limits the amount by which the total property tax levy can be increased to 2.5% of the preceding year's allowable levy plus any new growth.

iii Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Infrastructure	40-60
Vehicles	5-10
Other Equipment	10
Computer Equipment	5

iv. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position and the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The Town's governmental fund financial statements (balance sheet) reflect deferred inflows of resources for revenues that do not meet the "available" criteria. The government wide financial statements (statement of net position) reflect deferred inflows and outflows of resources related to pensions and to other post employment benefits.

v. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows.

Net position reported as "net investment in capital assets" includes capital assets, net of accumulated depreciation less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be debt used to acquire capital assets.

Net position is reported as restricted when there is an externally imposed restriction on its use or it is limited by enabling legislation.

vi. Fund Balance Classification Policies and Procedures

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This Statement establishes accounting and financial reporting standards for all governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications.

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to the constraints on the specific purposes for which the amounts in those funds can be spent.

GASB 54 requires the fund balance amounts to be reported within one of the fund balance categories list below.

1. Nonspendable, includes amounts that cannot be spent because (a) they are not in spendable form (such as fund balance associated with inventories) (b) they are legally or contractually required to stay intact (i.e. corpus of a permanent trust fund).

2. Restricted, constraints on the use of resources for specific purposes are imposed (a) by creditors, grantors or contributors, or (b) by law through constitutional provisions or through enabling legislation.

3. **Committed**, includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Selectmen (the Town’s highest level of decision-making authority). Similar formal action by the Board of Selectmen is required in order to “reverse” the commitment.

4. **Assigned**, intentions (by the Board of Selectmen, Town Administrator or Town Accountant) that resources are to be used by the government for specific purposes, but the restrictions do not meet the criteria necessary to be classified as restricted or committed.

5. **Unassigned**, the residual classification for the government’s general fund. It includes all spendable amounts not contained in the nonspendable, restricted, committed or assigned categories. A “positive” unassigned may only be displayed in the general fund.

The Board of Selectmen is the highest level of decision making authority in the Town. Committed fund balance cannot be used for any other purposes without formal vote taken by the Board of Selectmen.

Details of Fund Balance Classifications

The following schedule shows the detail of the fund balance classifications displayed in the aggregate on the Town’s balance sheet.

	<u>General Fund</u>	<u>Non Major Funds</u>	<u>Total</u>
Fund Balances:			
Nonspendable:			
Permanent Fund Principal	\$ -	\$ 125,381	\$ 125,381
Total Nonspendable	<u>-</u>	<u>125,381</u>	<u>125,381</u>
Restricted for:			
General Government	-	253,097	253,097
Public Safety	-	1,333,009	1,333,009
Culture and Recreation	-	283,053	283,053
Public Works	-	208,323	208,323
Human Services	-	31,923	31,923
Total Restricted	<u>-</u>	<u>2,109,405</u>	<u>2,109,405</u>
Assigned to:			
General Government	94,022	-	94,022
Public Safety	378,308	-	378,308
Public Works	178,215	-	178,215
Human Services	3,825	-	3,825
Culture and Recreation	32,234	-	32,234
Subsequent Year Expenditures	400,000	-	400,000
Total Assigned	<u>1,086,604</u>	<u>-</u>	<u>1,086,604</u>
Unassigned	<u>3,092,183</u>	<u>(116,253)</u>	<u>2,975,930</u>
Total Fund Balances	<u>\$ 4,178,787</u>	<u>\$ 2,118,533</u>	<u>\$ 6,297,320</u>

Stabilization Fund

The Town has established a stabilization fund in accordance with Massachusetts General Laws Chapter 40 Section 5B. That section of the law stipulates that “Cities, Towns and Districts may create 1 or more stabilization funds and appropriate any amount into the funds. Any interest shall be added to and become part of the fund”.

“The treasurer shall be the custodian of all stabilization funds and may deposit the proceeds in a trust company, co-operative bank or savings bank, if the trust company or bank is organized or exists pursuant to the laws of the commonwealth or any other state or may transact business in the commonwealth and has its main office or a branch office in the commonwealth; a national bank, federal savings bank or federal savings and loan association, if the bank or association may transact business and has its main office or a branch office in the commonwealth; provided, however, that a state-chartered or federally-chartered bank shall be insured by the Federal Deposit Insurance Corporation or its successor; or may invest the funds in participation units in a combined investment fund pursuant to section 38A of chapter 29 or in securities that are legal investments for savings banks.”

“At the time of creating any such fund the city, town or district shall specify, and at any later time may alter, the purpose of the fund, which may be for any lawful purpose, including without limitation an approved school project under chapter 70B or any other purpose for which the city, town or district may lawfully borrow money. Such specification and any such alteration of purpose, and any appropriation of funds into or out of any such fund, shall be approved by two-thirds vote, except as provided in paragraph (g) of section 21C of chapter 59 for a majority referendum vote. Subject to said section 21C, in a town or district any such vote shall be taken at an annual or special town meeting and in a city any such vote shall be taken by city council”.

The Town’s stabilization fund has a fair market value of \$1,801,778 as of June 30, 2022. The stabilization fund is reported as a component of unassigned fund balance in the general fund on the Town’s balance sheet, in accordance with GASB 54 requirements.

vii. Pensions

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

viii. Compensated Absences

The liabilities for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated annual vacation benefits. The liabilities have been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

ix. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the government-wide financial statements and in the fund financial statements for proprietary fund types.

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

x. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

xi. Warrants Payable

The balance in this account consists of those warrants approved by the Selectmen for payment between July 1 and July 15. These warrants have been recorded as expenditures during the fiscal year ended June 30 and the corresponding credit is to the account entitled warrants payable.

xii. 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.

II Stewardship, Compliance and Accountability

(A) Budgetary Information

i General Budget Policies

Budget requests are prepared by the various Town departments and submitted to the Selectmen and Finance Committee for review during January, February and March of each year. The Selectmen and Finance Committee have until April to make any changes to the departments' requests. After approval of the budget at the annual Town meeting (which is held in May), the tax recapitulation (recap) sheet is prepared. During this process the property tax rate is determined and the recap sheet is sent to the Department of Revenue for approval.

Encumbrance accounting is utilized when purchase orders, contracts or other commitments for purchases are recorded in order to reserve that portion of the applicable appropriations. Encumbrances still open at year end are reported as a reservation of fund balance or retained earnings. Encumbrances do not constitute expenditures or liabilities.

ii Budget Basis of Accounting

The final budget appearing in the required supplementary information section of the financial statements is taken from the Town's annual recap sheet and includes those amounts which pertain to fiscal 2022 adjusted for any special Town meeting votes applicable to fiscal 2022 and reserve fund transfers authorized by the Finance Committee.

The following reconciliation summarizes the differences between the budget basis and the Generally Accepted Accounting Principles (GAAP) basis for the year ended June 30, 2022.

	<u>Revenues</u>
As Reported Budget Basis	\$ 9,605,202
Adjustments:	
60 Day Accrual Adjustments	(50,475)
Stabilization Fund Revenue	(26,941)
As Reported GAAP Statement	<u>\$ 9,527,786</u>
	<u>Expenditures</u>
As Reported Budget Basis	\$ 9,498,197
Adjustments:	
Beginning Encumbrances	386,918
Ending Encumbrances	(686,604)
As Reported GAAP Statement	<u>\$ 9,198,511</u>

III Detailed Notes on All Funds

A. Deposit and Investment Risk

i. Deposits

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal deposit policy for custodial credit risk. As of June 30, 2022, none of the Town's bank balance of \$5,281,289 was exposed to credit risk.

ii. Investments

As of June 30, 2022, the town had the following investments and maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>5+</u>	
Money Market /CD	167,980	\$ 119,467	\$ 48,513	\$ -	-
U. S. Government Obligations	664,367	290,502	373,865	-	-
Corporate Bonds	958,985	159,562	799,423	-	-
Equities	296,694	296,694	-	-	-
State Treasurer's Investment Pool	453,480	453,480	-	-	-
Municipal Bonds	176,516	176,516	-	-	-
Total	<u>\$ 2,718,022</u>	<u>\$ 1,496,221</u>	<u>\$ 1,221,801</u>	<u>\$ -</u>	<u>-</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town does not have a formal policy relating to credit risk. As of June 30, 2022, the Town's investment in the U.S. Government Obligations was rated AA+ by Standard & Poor.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town does not have a formal policy that limits the amount it may invest in a single issuer (State law limits the amount that may be deposited in a financial institution without collateralization).

Fair Value Measurement

Statement #72 of the Government Accounting Standards Board ("GASB") *Fair Value Measurements and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Town has the ability to access.

Level 2 -Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the Towns' own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Town's own data.

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

The Town has the following recurring fair value measurements as of June 30, 2022:

	<u>Fair Value Measurements Using</u>			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets</u>	<u>Significant Other Observable Inputs</u>	<u>Significant Unobservable Inputs</u>
Investment by Fair Value Level:				
U. S. Treasuries	\$ 664,367	\$ 664,367	\$ -	\$ -
Corporate Bonds	958,985	958,985	-	-
Common Stock	296,694	296,694	-	-
Municipal Bonds	176,516	176,516	-	-
Total Investments in the Fair Value Hierarchy:	<u>2,096,562</u>	<u>\$ 2,096,562</u>	<u>\$ -</u>	<u>\$ -</u>
Investments Not Subject to Fair Value Hierarchy reporting:				
Money Market Funds/CDs	167,980			
MMDT	453,480			
Total Investments Not Subject to Fair Value Hierarchy:	<u>621,460</u>			
Total Investments	<u>\$ 2,718,022</u>			

The investments classified in Level 1 of the fair value hierarchy were valued using prices quoted in active markets for those securities.

B. Capital Assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Government Activities:				
Land	\$ 6,816,753	\$ -	\$ -	\$ 6,816,753
Total Capital Assets Not Being Depreciated	<u>6,816,753</u>	<u>-</u>	<u>-</u>	<u>6,816,753</u>
Assets Being Depreciated:				
Buildings	3,129,274	-	-	3,129,274
Infrastructure	63,314,398	345,524	-	63,659,922
Equipment and Vehicles	4,239,887	263,578	-	4,503,465
Total Capital Assets Being Depreciated	<u>70,683,559</u>	<u>609,102</u>	<u>-</u>	<u>71,292,661</u>
Less Accumulated Depreciation for:				
Buildings	(1,181,926)	(53,592)	-	(1,235,518)
Infrastructure	(62,754,948)	(28,640)	-	(62,783,588)
Equipment and Vehicles	(3,145,596)	(118,894)	-	(3,264,490)
Total Accumulated Depreciation	<u>(67,082,470)</u>	<u>(201,126)</u>	<u>-</u>	<u>(67,283,596)</u>
Capital Assets Being Depreciated, Net	<u>3,601,089</u>	<u>407,976</u>	<u>-</u>	<u>4,009,065</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,417,842</u>	<u>\$ 407,976</u>	<u>\$ -</u>	<u>\$ 10,825,818</u>

B. Capital Assets (Continued)

Depreciation expense was charged to functions as follows:

Government Activities:	
General Government	\$ 25,936
Public Safety	79,025
Highways and Public Works	92,730
Culture and Recreation	3,435
Total Governmental Activities Depreciation Expense	<u>\$ 201,126</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Business-Type Activities:				
Land	\$ 235,750	\$ -	\$ -	\$ 235,750
Total Capital Assets not Being Depreciated	<u>235,750</u>	<u>-</u>	<u>-</u>	<u>235,750</u>
Assets Being Depreciated:				
Buildings	3,084,348	-	-	3,084,348
Infrastructure	3,977,457	-	-	3,977,457
Equipment and Vehicles	3,235,871	-	-	3,235,871
Total Capital Assets Being Depreciated	<u>10,297,676</u>	<u>-</u>	<u>-</u>	<u>10,297,676</u>
Less Accumulated Depreciation for:				
Buildings	(2,005,804)	(52,408)	-	(2,058,212)
Infrastructure	(1,336,177)	(60,152)	-	(1,396,329)
Equipment and Vehicles	(3,159,754)	(13,463)	-	(3,173,217)
Total Accumulated Depreciation	<u>(6,501,735)</u>	<u>(126,023)</u>	<u>-</u>	<u>(6,627,758)</u>
Capital Assets Being Depreciated, Net	<u>3,795,941</u>	<u>(126,023)</u>	<u>-</u>	<u>3,669,918</u>
Business-Type Activities Capital Assets, Net	<u>\$ 4,031,691</u>	<u>\$ (126,023)</u>	<u>\$ -</u>	<u>\$ 3,905,668</u>

Depreciation expense was charged to functions as follows:

Business-type Activities:	
Sewer	\$ 122,504
Landfill	3,519
Total Business-type Activities Depreciation Expense	<u>\$ 126,023</u>

C. Accounts Receivable

The accounts receivable on the balance sheet are listed below by levy.

General Fund

Property Taxes Receivable:

Real Estate Taxes

2022	\$ 222,735
2021	72,050
2020 and Prior	5,268
Total Real Estate Taxes	<u>\$ 300,053</u>

C. Accounts Receivable (continued)

Personal Property Taxes		
2022	\$ 1,227	
2021	815	
2020 and Prior	<u>7,810</u>	
Total Personal Property Taxes		<u>9,852</u>
Total Property Taxes Receivable		<u>\$ 309,905</u>
Tax Liens		<u>\$ 493,658</u>
Excise Taxes Receivable:		
Motor Vehicle Excise Taxes		
2022	\$ 95,665	
2021	53,651	
2020	28,446	
2019 and Prior	<u>68,512</u>	
Total Motor Vehicle Excise Taxes		<u>\$ 246,274</u>
<u>Departmental</u>		
Ambulance and Other	<u>\$ 358,575</u>	
Total Departmental		<u>\$ 358,575</u>
<u>Other Governmental Funds</u>		
Other		<u>\$ 3,157</u>
Intergovernmental:		
Chapter 90		<u>\$ 619,522</u>
<u>Enterprise Fund</u>		
Sewer Liens		<u>\$ 78,881</u>
User Charges		<u>\$ 180,015</u>

D. Debt

i Bond Anticipation Notes Payable

The Town has bond anticipation notes outstanding as of June 30, 2022 as follows:

<u>Purpose</u>	<u>Balance</u> <u>Beginning</u> <u>of Year</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance</u> <u>End</u> <u>of Year</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>Date</u>
<u>Governmental Activities:</u>						
Highway Backhoe	\$ -	\$ 122,900	\$ -	\$ 122,900	0.54%	8/26/2022
Street Light Conversion Project	50,000	-	50,000	-	0.20%	5/13/2022
Total	<u>\$ 50,000</u>	<u>\$ 122,900</u>	<u>\$ 50,000</u>	<u>\$ 122,900</u>		

ii Long Term Debt

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 5 to 20 years. General obligation bonds outstanding at June 30, 2022 are as follows:

(a) General Obligation Bonds Outstanding at June 30, 2022

Governmental Activities:

<u>General Obligation Bond</u>	<u>Sale Date</u>	<u>Original</u> <u>Borrowing</u>	<u>Interest Rates</u> <u>to Maturities</u>	<u>Final</u> <u>Maturity</u>	<u>Balance</u> <u>July 1, 2021</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance</u> <u>June 30, 2022</u>
Highway Barn	8/15/2009	\$ 1,699,000	4.125%	2047	\$ 1,407,925	\$ -	\$ 31,241	\$ 1,376,684
Total Governmental Activities					\$ 1,407,925	\$ -	\$ 31,241	\$ 1,376,684

Business Type Activities:

<u>General Obligation Bond</u>	<u>Sale Date</u>	<u>Original</u> <u>Borrowing</u>	<u>Interest Rates</u> <u>to Maturities</u>	<u>Final</u> <u>Maturity</u>	<u>Balance</u> <u>July 1, 2021</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance</u> <u>June 30, 2022</u>
Sewer Line Extension South Street	2/23/2012	\$ 750,000	2.25%	2050	\$ 624,874	\$ -	\$ 15,513	\$ 609,361
Sewer Line Extension South Street	6/15/2012	350,000	2.0%	2051	291,345	-	7,186	284,159
Total Business Type Activities					\$ 916,219	\$ -	\$ 22,699	\$ 893,520

D. Debt (Continued)

(b) Summary of Debt Service Requirements to Maturity

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	32,529	56,788	23,192	19,394
2024	33,871	55,446	23,696	18,890
2025	35,268	54,049	24,210	18,376
2026	36,723	52,594	24,736	17,850
2027	38,237	51,080	25,273	17,313
2028	39,815	49,502	25,822	16,764
2029	41,457	47,860	26,383	16,203
2030	43,167	46,149	26,955	15,631
2031	44,948	44,369	27,540	15,045
2032	46,802	42,515	28,139	14,447
2033	48,732	40,585	28,750	13,836
2034	50,743	38,574	29,375	13,211
2035	52,836	36,481	30,013	12,573
2036	55,015	34,302	30,665	11,921
2037	57,285	32,032	31,331	11,255
2038	59,648	29,669	32,012	10,574
2039	62,108	27,209	32,708	9,878
2040	64,670	24,647	33,419	9,167
2041	67,338	21,979	34,145	8,441
2042	70,115	19,202	34,887	7,699
2043	73,008	16,309	35,645	6,941
2044	76,019	13,298	36,420	6,166
2045	79,155	10,162	37,211	5,374
2046	82,420	6,899	38,021	4,565
2047	84,775	3,499	38,847	3,739
2048	0	0	39,692	2,894
2049	0	0	40,555	2,031
2050	0	0	41,297	1,150
2051	<u>0</u>	<u>0</u>	<u>12,581</u>	<u>252</u>
	<u>\$1,376,684</u>	<u>\$855,199</u>	<u>\$893,520</u>	<u>\$311,580</u>

Bond Authorizations

Long-term debt authorizations voted by the Town which have not been issued or rescinded as of June 30, 2022, are as follows:

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount</u>
May 11, 2021	Ambulance Replacement	\$350,000
May 11, 2021	Backhoe	<u>132,900</u>
	Total	<u>\$482,900</u>

D. Debt (Continued)

iii Changes in the government's long-term liabilities for the year ended June 30, 2022 are as follows:

	Balance <u>July 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2022</u>	Current <u>Portion</u>
<u>Governmental Activities</u>					
Bonds Payable	\$ 1,407,925	\$ -	\$ (31,241)	\$ 1,376,684	\$ 32,529
Compensated Absences	68,798	30,913	-	99,711	-
Net Pension Liability	5,317,720	-	(48,411)	5,269,309	-
OPEB Liability	<u>3,017,474</u>	<u>-</u>	<u>(923,728)</u>	<u>2,093,746</u>	<u>-</u>
Total Governmental Activities	<u>\$ 9,811,917</u>	<u>\$ 30,913</u>	<u>\$ (1,003,380)</u>	<u>\$ 8,839,450</u>	<u>\$ 32,529</u>
<u>Business Type Activities</u>					
Bonds Payable	\$ 916,219	\$ -	\$ (22,699)	\$ 893,520	\$ 23,192
Landfill Liabilities	357,000	-	(17,000)	340,000	-
OPEB Liability	<u>394,504</u>	<u>-</u>	<u>(255,787)</u>	<u>138,717</u>	<u>-</u>
Total Business Type Activities	<u>\$ 1,667,723</u>	<u>\$ -</u>	<u>\$ (295,486)</u>	<u>\$ 1,372,237</u>	<u>\$ 23,192</u>

E. Interfund Transfers

The accompanying financial statements reflect transactions between the various funds. These transactions represent operating transfers and do not constitute revenues or expenditures of the funds. Operating transfers made during the year were as follows:

	<u>Transfers In</u>	<u>Transfers (Out)</u>	<u>Total</u>
General	\$ 73,622	\$ -	\$ 73,622
Agency	34,706	-	34,706
Non-Major Governmental	62,125	(50,949)	11,176
Enterprise - Business Type	-	(119,504)	(119,504)
Total	<u>\$ 170,453</u>	<u>\$ (170,453)</u>	<u>\$ -</u>

IV **Other Information**

A. Pension Plans

a. General Information about the Pension Plan

Plan Description

The Town provides pension benefits to eligible employees by contributing to the Worcester Regional Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Worcester Regional Retirement System. The System is administered by a five member board on behalf of all eligible current employees and retirees. The system provides retirement benefits, cost of living adjustments, disability benefits and death benefits.

The system is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (M.G.L.). The authority to establish and amend benefit provisions requires a statutory change to Chapter 32. The Worcester Regional

Retirement System issues a stand-alone financial report that is available to the public at <https://www.wrrboard.org/employers/pages/reports-documents> the Worcester Regional Retirement System, 23 Midstate Drive, Suite #106, Midstate Office Park, Auburn, Massachusetts 01501.

Benefits Provided

The Worcester Regional Retirement System provides retirement, disability and death benefits as detailed below:

Retirement Benefits

Employees covered by the Contributory Retirement Law are classified into one of four groups depending on job classification. Group 1 comprises most positions in state and local government. It is the general category of public employees. Group 4 comprises mainly police and firefighters. Group 2 is for other specified hazardous occupations. (Officers and inspectors of the State Police are classified as Group 3.)

For employees hired prior to April 2, 2012, the annual amount of the retirement allowance is based on the member’s final three-year average salary multiplied by the number of years and full months of creditable service at the time of retirement and multiplied by a percentage according to the table below based on the age of the member at retirement.

<u>Benefit %</u>	<u>Group 1</u>	<u>Group 2</u>	<u>Group 4</u>
	<u>Hired on or before April 1 2012</u>		
2.50%	65+	60+	55+
2.40%	64	59	54
2.30%	63	58	53
2.20%	62	57	52
2.10%	61	56	51
2.00%	60	55	50
1.90%	59	N/A	49
1.80%	58	N/A	48
1.70%	57	N/A	47
1.60%	56	N/A	46
1.50%	55	N/A	45

For employees hired on April 2, 2012 or later, the annual amount of the retirement allowance is based on the member’s final five-year average salary multiplied by the number of years and full months of creditable service at the time of retirement and multiplied by a percentage according to the tables below based on the age of the member at retirement:

<u>Benefit %</u>	<u>Group 1</u>	<u>Group 2</u>	<u>Group 4</u>
		<u>Hired on after April 1 2012</u>	
2.50%	67+	62+	57+
2.35%	66	61	56
2.20%	65	60	55
2.05%	64	59	54
1.90%	63	58	53
1.75%	62	57	52
1.60%	61	56	51
1.45%	60	55	50

For all employees, the maximum annual amount of the retirement allowance is 80 percent of the member's final average salary. Any member who is a veteran also receives an additional yearly retirement allowance of \$15 per year of creditable service, not exceeding \$300. The veteran allowance is paid in addition to the 80 percent maximum.

Retirement Benefits - Superannuation

Members of Group 1, 2 or 4 hired prior to April 2, 2012 may retire upon the attainment of age 55. For retirement at ages below 55, twenty years of creditable service is required.

Members hired prior to April 2, 2012 who terminate before age 55 with ten or more years of creditable service are eligible for a retirement allowance upon the attainment of age 55 (provided they have not withdrawn their accumulated deductions from the Annuity Savings Fund of the System).

Members of Group 1 hired April 2, 2012 or later may retire upon the attainment of age 60. Members of Group 2 or 4 hired April 2, 2012 or later may retire upon the attainment of age 55. Members of Group 4 may retire upon attainment of age 50 with ten years of creditable service.

Members hired April 2, 2012 or later who terminate before age 55 (60 for members of Group 1) with ten or more years of creditable service are eligible for a retirement allowance upon the attainment of age 55 (60 for members of Group 1) provided they have not withdrawn their accumulated deductions from the Annuity Savings Fund of the System.

Ordinary Disability Benefits

A member who is unable to perform his or her job due to a non-occupational disability will receive a retirement allowance if he or she has ten or more years of creditable service and has not reached age 55. The annual amount of such allowance shall be determined as if the member retired for superannuation at age 55 (age 60 for Group 1 members hired on or after April 2, 2012), based on the amount of creditable service at the date of disability. For veterans, there is a minimum benefit of 50 percent of the member's most recent year's pay plus an annuity based on his or her own contributions.

Accidental Disability Benefit

For a job-connected disability, the benefit is 72 percent of the member's most recent annual pay plus an annuity based on his or her own contributions, plus additional amounts for surviving children. Benefits are capped at 75 percent of annual rate of regular compensation for employees who become members after January 1, 1988.

Death Benefits

In general, the beneficiary of an employee who dies in active service will receive a refund of the employee's own contributions. Alternatively, if the employee were eligible to retire on the date of death, a spouse's benefit will be paid equal to the amount the employee would have received under Option C. The surviving spouse of a member who dies with two or more years of credited service has the option of a refund of the employee's contributions or a monthly benefit regardless of eligibility to retire, if they were married for at least one year. There is also a minimum widow's pension of \$500 per month, and there are additional amounts for surviving children.

If an employee's death is job-connected, the spouse will receive 72 percent of the member's most recent annual pay, in addition to a refund of the member's accumulated deductions, plus additional amounts for surviving children. However, in accordance with Section 100 of Chapter 32, the surviving spouse of a police officer, firefighter or corrections officer who is killed in the line of duty will be eligible to receive an annual benefit equal to the maximum salary held by the member at the time of death. Upon the death of a job-connected disability retiree who retired prior to November 7, 1996 and could not elect an Option C benefit, a surviving spouse will receive an allowance of \$9,000 per year if the member dies for a reason unrelated to cause of disability.

Contributions

Active members of the Worcester Regional Retirement System contribute either 5%, 7%, 8% or 9% of their gross regular compensation depending on the date upon which their membership began. An additional 2% is required from employees for earnings in excess of \$30,000. The Town is required to pay an actuarially determined rate. The contribution requirement of plan members is determined by M.G.L. Chapter 32. The contribution requirements are established by and may be amended by the Worcester Regional Retirement System with the approval of the Public Employee Retirement Administration Commission.

The Town's contractually required contribution rate for the year ended June 30, 2022 was 28.84% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$462,757 for the year ending June 30, 2022.

b. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2022, the Town reported a liability of \$5,269,309 for its proportionate share of the total net pension liability. The total net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the total net pension liability was determined by an actuarial valuation as of January 1, 2020. Accordingly, update procedures were utilized to roll forward the liability to the measurement date. The Town's proportion of the total 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, 2021, the Town's proportion was 0.625799%.

Chapter 176 of the Acts of 2011 was incorporated in this valuation, which changes many of the benefit features for members hired on or after April 2, 2012. In addition, the COLA base was increased to \$15,000 effective July 1, 2014.

Costs related to the Town's pension assessment are not charged to the Town's enterprise funds by way of direct or indirect charges. The Town's has no intention to charge the enterprise

funds for the pension related costs in the future. As a result the pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions were not allocated to the enterprise funds.

For the year ended June 30, 2022, the Town recognized pension expense of \$533,983. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (110,207)
Change in assumptions	453,096	-
Net differences between projected and actual earnings on pension plan investments	-	(743,413)
Changes in proportion and differences between contributions and proportionate share of contributions	270,452	(213,101)
Contributions subsequent to the measurement date	-	-
	<u>\$ 723,548</u>	<u>\$ (1,066,721)</u>

Contributions made subsequent to the measurement date (deferred outflows of resources) are recognized as a reduction of the total net pension liability in the next fiscal year. The Town did not have any deferred outflows of resources for contributions made subsequent to the measurement date. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Amount
2022	\$ (53,374)
2023	(208,530)
2024	(113,066)
2025	(36,951)
2026	68,748
Total	<u>\$ (343,173)</u>

Actuarial Assumptions

The total pension liability as of December 31, 2021 was determined by updating an actuarial valuation as of January 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	January 1, 2020
Actuarial Cost Method	Entry age normal cost method
Asset Valuation Method	Market value
Investment rate of return	7.25%, net of pension plan expense, including inflation
Discount Rate	7.25% (7.50% in prior year)
Inflation	2.4 % per year
Projected Salary Increases	Group 1: 4.25% - 6.00%, based on service Group 4: 4.75% - 7.00%, based on service

Mortality Rates were based on the tables noted below:

Based on the RP-2014 Mortality Table with full generational mortality improvement using Scale MP-2020. For disables lives, the mortality rates were based on the RP-2014 Blue Collar Mortality table set forward one year. with full generational mortality improvement using Scale MP-2020

In performing the actuarial valuation, various assumptions are made regarding mortality, retirement, disability and withdrawal rates as well as salary increases and investment returns. A comparison of the results of the current valuation and the prior valuation is made to determine how closely actual experience relates to expected. The mortality tables noted above were determined to contain provisions appropriate to reasonably reflect future mortality improvement, based on a review of the mortality experience of the plan.

Changes in Assumptions

Most of the Actuarial Assumptions and Methods used in these disclosures are the same as the last measurement date, except the investment rate of return assumption decreased from 7.5% to 7.25% and the mortality table and mortality improvement rates were updated.

Changes in Plan Provisions

There were not any changes in the Plan provisions.

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 a fully funded status for the benefits provided through the pension plan.

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

	<u>Target Allocation</u>	<u>Long Term Expected Rate of Return</u>
Global Equity	38.00%	4.38%
Fixed Income	23.00%	0.70%
Private Equity	15.00%	7.70%
Real Estate	10.00%	3.60%
Timber/Natural Resources	4.00%	4.20%
Portfolio Completion Strategies	10.00%	3.00%
	<u>100.00%</u>	

Rate of Return

The annual money-weighted rate of return on pension plan investments for December 31, 2020 (net of investment expenses) was 19.74% (12.03% in the prior year). The money-weighted rate of return expresses investment performance, net of pension plan investment expense, is adjusted for the changing amounts actually invested, measured monthly.

Discount Rate

The discount rate used to measure the total pension liability was 7.25% (7.5% in the prior year). 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 the Worcester Regional Retirement System contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's Proportionate Share of the Total Net Pension Liability to Changes in the Discount Rate

The following presents the total Net Pension liability of the Worcester Regional Retirement System, calculated using the discount rate of 7.25%, as well as what the Worcester Regional Retirement System's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease <u>(6.25%)</u>	Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Town's proportionate share of the Net Pension Liability	\$6,646,837	\$5,269,309	\$4,105,329

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Worcester Regional Retirement System financial report. The System issues a stand-alone financial report is available that can be obtained through the System's website at: <https://www.wrrboard.org/employers/pages/reports-documents>

B. Other Postemployment Benefits (OPEB) Disclosures

General Information About the Plan

Plan Description

Plan Administration: The Town administers all activity related to the other post-employment benefits plan - a single employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all eligible employees of the Town. Management of the plan is vested in the Town's Treasurer. The Town's Board of Selectmen has the authority to establish and amend benefit terms. No assets are accumulated in a trust that meets the criteria in Paragraph 4 of Statement 75.

Plan Membership: At June 30, 2022, the plans membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	11
Inactive plan members entitled to but not yet receiving benefit payments	0
Active Plan Members	<u>36</u>
Total	47

Benefits Provided: The Town provides retired employees and their spouses and dependents with payments for a portion of their health insurance benefits. Benefits are provided through a third-party insurer.

Contributions. The Town pays 75% of the health insurance premiums for its active employees, their spouses and retirees. Spouses of retirees must pay 100% of their premiums. Benefits paid by the Town are on a pay-as-you-go basis. The contribution requirements of plan members and the Town are established and may be amended from time to time.

Total OPEB Liability

The Town's total OPEB liability of \$2,232,463 was measured as of June 30, 2022, and the total OPEB liability was determined by an actuarial valuation date of July 1, 2021.

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of July 1, 2021 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Payroll Increases	2.5 % Annually
Investment Rate of Return	3.54%
Health Cost Trend Rates	4.5% to 7.0%

Mortality Rates were based on the tables noted below:

Pre-Retirement	The mortality rates are from the RPH-2014 Combined Fully Generational Mortality Table with projection scale MP-2019
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Discount rate: The discount rate used to measure the total OPEB liability was 3.54%. The projection of cash flows used to determine the discount rate assumed that Town contributions will be made at rates equal to the actuarially determined contribution rates.

Change in Total OPEB Liability

	<u>Increase (Decrease)</u>
	Total OPEB Liability
	(a)
Balance 6/30/2021	\$ 3,411,978
Service cost	287,067
Interest	60,447
Changes of benefit terms	-
Difference between expected and actual experience	(838,577)
Changes in assumptions	(635,088)
Benefit payments	(53,364)
Net changes	<u>(1,179,515)</u>
Balance 6/30/2022	<u>\$ 2,232,463</u>

Changes in assumptions:

- Discount rate changed from 2.16% to 3.54%

Benefit changes:

- None

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease	Discount Rate	1% Increase
	<u>2.54%</u>	<u>3.54%</u>	<u>4.54%</u>
Total OPEB Liability (asset)	\$2,646,525	\$2,332,463	\$1,904,486

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates: The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend	1% Increase
	5.50% Decrease to <u>3.50%</u>	7.0% Decrease to <u>4.50%</u>	7.5% Decrease to <u>5.50%</u>
Total OPEB Liability (asset)	\$1,856,881	\$2,332,463	\$2,725,383

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

For the year ended June 30, 2022, the Town recognized OPEB expense of \$119,478. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (1,233,051)
Change in assumptions	162,922	(749,662)
Net differences between projected and actual earnings on OPEB plan investments	-	-
	<u>\$ 162,922</u>	<u>\$ (1,982,713)</u>

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:	<u>Amount</u>
2023	\$ (228,036)
2024	(228,036)
2025	(227,421)
2026	(217,489)
2027	(239,939)
Thereafter	(678,870)

C. Subsequent Year Authorizations

The Town adopted a fiscal 2023 operating and capital budget. Fiscal 2023 budgetary amounts which are not reflected in the accompanying financial statements will be financed by the following sources:

Property Taxes, State Aid, Other Revenue and Other Available Funds	\$ 12,080,853
Enterprise Fund Revenues and Other Available Funds	861,730
Total	<u>\$ 12,942,583</u>

D. Compensated Absences

Employees are granted varying amounts of vacation and sick leave based on contractual agreements and length of service. General policies are noted below:

Vacation:

- Less than one year One half day per month
(not to exceed one week)
- One year to less than five years Two weeks
- Five years to less than ten years. Three weeks
- Ten years to less than fifteen years Four weeks
- Over fifteen years Five weeks

Vacation time must be earned in one fiscal year and is available to the employee on July 1, of the subsequent fiscal year. All vacation time must be used by June 30 or it is rescinded. The accumulated vacation leave liability is recorded in the Government-wide financial statements.

Sick Leave:

- Less than one year - One day per month
- More than one year - One and one half days per month/cumulative
to one hundred and twenty days

The Town does not “buy back” unused sick leave upon termination of an employee. Sick leave may only be used as time off for sickness. Since any future sick leave payments are attributable to events outside the control of the employer or employee, disclosure of an accumulated sick leave liability is not required.

E. Solid Waste Landfill Closure and Postclosure Care Costs

State and federal regulations require that solid waste landfill closures meet certain standards. Generally accepted accounting principles require recognition of a liability for closure and postclosure costs based on the landfill capacity used to date. Since the Town initiated a landfill enterprise fund in 1997, the entire liability has been recognized and the expenses have been accrued. The operation and eventual closure of the landfill, for the Town of Warren, has two phases. The closure of Phase I of the landfill occurred during fiscal year 1999. The closure of the Phase II portion of the landfill commenced during the summer of 2011. Also, during the summer of 2011, the Town constructed and implemented a transfer station that can be used by any resident. Phase II of the landfill closure was completed during fiscal year 2013.

F. Significant Commitments

Encumbrances

Encumbrances for open purchases are reported as Assigned Fund Balance unless the resources have already been restricted, committed or assigned for another purpose.

Commitments and Contingencies

Various legal actions and claims may be pending against the Town. It does not appear that these matters will have a material adverse effect on the financial condition of the Town.

G. Overlapping Debt

Quaboag Regional School District (K-12) is comprised of the towns of Warren and West Brookfield. By regional agreement, each town is 100% responsible for capital costs and related debt on their respective elementary school buildings; and middle/high school costs are allocated by member town enrollment and further agreement. For the year ended June 30, 2022 the District’s long term debt of \$450,000 can be summarized as follows:

<u>Issue Date</u>	<u>Purpose</u>	<u>Issue Amount</u>	<u>Interest Rate</u>	<u>Term in Years</u>	<u>Outstanding June 30, 2022</u>
7/15/2012	Warren Elementary	\$1,048,500	2.00 - 3.00%	15	\$390,000
7/15/2012	Quaboag Middle/High	\$820,700	2.00 - 3.00%	15	\$60,000

Approximately 61% of Warren’s share of the Town’s principal and interest for which it is responsible are subject to a Proposition 2 1/2 “debt exclusion” as voted by the Town.

Quaboag Regional School District also has bond anticipation notes outstanding as of June 30, 2022 in the amount of \$327,585.

H. Implementation of New GASB Pronouncements

Current Year Implementations –

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefined the manner in which long-term leases are accounted and reported. As amended, the provisions of this Statement became effective in fiscal year 2022. The adoption of this standard did not have an impact on the Town’s financial statements.

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

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

Future Year Implementations

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to standardize the reporting of conduit debt obligations by issuers by clarifying the existing definition of conduit debt

obligation, among other matters. As amended, the provisions of this Statement are effective for financial reporting periods beginning after December 15, 2021 (fiscal year 2023). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

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

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

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

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

I. Prior Period Adjustment

Prior period adjustments, that total \$104,137 (\$103,414 Governmental Activities and \$723 Business Type Activities), were made to the Government Wide Financial Statements in the Statement of Activities. These changes were made to correct prior period accrual adjustments.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Warren, Massachusetts
Required Supplementary Information
General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Property Taxes	\$ 7,136,377	\$ 7,136,377	\$ 7,122,641	\$ (13,736)
Tax Liens and Possessions			128,794	128,794
Excises	600,000	600,000	603,375	3,375
Penalties and Interest	100,000	100,000	155,173	55,173
Licenses and Permits	49,601	49,601	70,530	20,929
Intergovernmental	1,064,112	1,064,112	1,097,625	33,513
Charges for Services	307,097	307,097	341,955	34,858
Fines and Forfeits	9,000	9,000	11,187	2,187
Earnings on Investments	4,873	4,873	7,281	2,408
In Lieu of Taxes	2,700	2,700	2,695	(5)
Miscellaneous	600	600	63,946	63,346
Total Revenues	<u>9,274,360</u>	<u>9,274,360</u>	<u>9,605,202</u>	<u>330,842</u>
<u>Expenditures</u>				
General Government	1,014,261	1,355,830	907,723	448,107
Public Safety	2,201,206	2,150,186	1,841,337	308,849
Education	4,363,712	4,379,841	4,174,732	205,109
Highway and Public Works	704,106	752,414	881,259	(128,845)
Health and Human Services	254,573	268,120	238,472	29,648
Culture and Recreation	251,570	291,066	247,927	43,139
Intergovernmental	25,406	25,443	23,103	2,340
Employee Benefits	1,222,457	1,122,811	1,072,784	50,026
Debt Service	111,860	111,860	110,859	1,001
Total Expenditures	<u>10,149,152</u>	<u>10,457,571</u>	<u>9,498,197</u>	<u>959,374</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>(874,792)</u>	<u>(1,183,211)</u>	<u>107,005</u>	<u>1,290,216</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	421,066	421,066	421,066	-
Transfers Out	(547,404)	(547,404)	(547,404)	-
Other Available Funds	1,001,130	1,309,549	1,309,549	-
Total Other Financing Sources (Uses)	<u>874,792</u>	<u>1,183,211</u>	<u>1,183,211</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,290,216</u>	<u>\$ 1,290,216</u>

See Notes to the Required Supplementary Information

Required Supplementary Information
Schedule of the Town of Warren Massachusetts' Proportionate Share of the Net Pension Liability
Worcester Regional Retirement System
Last Ten Fiscal Years**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportionate share of the net pension liability (asset) (%)	0.625799%	0.598573%	0.603333%	0.644582%	0.587776%	0.587776%	0.592299%	0.573820%
Town's proportionate share of the net pension liability (asset) (\$)	5,269,309	5,317,720	5,370,445	5,844,829	5,331,180	4,923,172	4,204,182	3,414,616
Town's covered payroll	1,604,580	1,457,293	1,369,050	1,656,945	1,457,012	1,525,030	1,444,447	1,388,891
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	328.39%	364.90%	392.28%	352.75%	365.90%	322.82%	291.06%	245.85%
Plan fiduciary net position as a percentage of the pension liability	56.20%	50.30%	47.36%	43.05%	46.40%	42.00%	44.52%	47.94%

**Historical information prior to implementation of GASB 67/68 is not required

The amounts presented for each fiscal year were determined as of December 31.

This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.

See Notes to the Required Supplementary Information

Required Supplementary Information
Schedule of the Town of Warren Massachusetts' Contributions
Worcester Regional Retirement System
Last Ten Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 462,757	\$ 402,654	\$ 367,357	\$ 358,868	\$ 330,813	\$ 285,511	\$ 266,452	\$ 226,768
Contributions in relation to the contractually required contribution	<u>(462,757)</u>	<u>(402,654)</u>	<u>(367,357)</u>	<u>(358,868)</u>	<u>(330,813)</u>	<u>(285,511)</u>	<u>(266,452)</u>	<u>(226,768)</u>
Contribution deficiency (excess)	<u>\$ -</u>							
Town's covered payroll	1,604,580	1,457,293	1,369,050	1,656,945	1,457,012	1,525,030	1,444,447	1,388,891
Contributions as a percentage of covered payroll	28.84%	27.63%	26.83%	21.66%	22.70%	18.72%	18.45%	16.33%

This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.

See Notes to the Required Supplementary Information

Town of Warren, Massachusetts
Required Supplementary Information
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2022
Last 10 Fiscal Years

	2022	2021	2020	2019	2018
Total OPEB liability					
Service cost	\$ 287,067	\$ 197,910	\$ 138,578	\$ 218,589	\$ 231,537
Interest	60,447	73,826	87,923	134,861	120,484
Difference between expected and actual experience	(838,577)	-	(731,865)	-	-
Changes in assumptions	(635,088)	29,968	(125,803)	255,901	(182,645)
Benefit payments	(53,364)	(64,343)	(47,704)	(43,666)	(30,760)
Net change in total OPEB liability	(1,179,515)	237,361	(678,871)	565,685	138,616
Total OPEB liability - beginning	3,411,978	3,174,617	3,853,488	3,287,803	3,149,187
Total OPEB liability - ending (a)	\$ 2,232,463	\$ 3,411,978	\$ 3,174,617	\$ 3,853,488	\$ 3,287,803

Town's total OPEB liability as a percentage of covered payroll

N/A N/A N/A N/A N/A

Notes to Schedule:

Changes in assumption:

Discount Rate 3.54% from 2.16%
Plan Changes None

"Schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available"

See Notes to the Required Supplementary Information

Town of Warren, Massachusetts
Notes to the Required Supplementary Information
June 30, 2022

(A) Budgetary Information

Budget requests are prepared by the various Town departments and submitted to the Selectmen and Finance Committee for review during January and February of each year. The Selectmen and Finance Committee have until the annual Town meeting, to make any changes to the departments' requests. After approval of the budget at the annual Town meeting, the tax recapitulation (recap) sheet is prepared. During this process the property tax rate is determined and the recap sheet is sent to the Department of Revenue for approval. Encumbrance accounting is utilized when purchase orders, contracts or other commitments for purchases are recorded in order to reserve that portion of the applicable appropriations. Encumbrances still open at year end are reported as a reservation of fund balance. Encumbrances do not constitute expenditures or liabilities.

(B) Pension Plans

a. Plan Description

The Town provides pension benefits to eligible employees by contributing to the Worcester Regional Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Worcester Regional Retirement System. The System is administered by a five member board on behalf of all eligible current employees and retirees. The system provides retirement benefits, cost of living adjustments, disability benefits and death benefits.

The Town is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (MGL). The authority to establish and amend benefit provisions requires a statutory change to Chapter 32. The Worcester Regional Retirement System issues a stand-alone financial report that is available to the public at: <https://www.wrrboard.org/employers/pages/reports-documents> or by writing to the Worcester Regional Retirement System, 23 Midstate Drive, Suite #106, Midstate Office Park, Auburn, Massachusetts 01501.

b. Funding Plan

Active members of the Worcester Regional Retirement System contribute either 5%, 7%, 8% or 9% of their gross regular compensation depending on the date upon which their membership began. An additional 2% is required from employees for earnings in excess of \$30,000. The Town is required to pay an actuarially determined rate. The contribution requirements of plan members are determined by M.G.L. Chapter 32. The Town's contribution requirement is established and may be amended by the Worcester Regional Retirement System with the approval of the Public Employee Retirement Administration Commission.

c. Change in Assumptions

Most of the Actuarial Assumptions and Methods used in these disclosures are the same as the last measurement date, except the investment rate of return assumption decreased from 7.5% to 7.25% and the mortality table and mortality improvement rates were updated.

d. Changes in Plan Provisions

There were not any changes in the Plan provisions.

e. Schedule of Town's Proportionate Share of the Total Net Pension Liability - Worcester Regional Retirement System

The schedule details the Town's percentage of the collective total Net Pension Liability, the proportionate amount of the collective total Net Pension Liability, the Town's covered payroll, the Town's proportionate share of the collective total Net Pension Liability as a percentage of the Town's covered payroll and the plans fiduciary net position as a percentage of the total pension liability. As more information becomes available, this will be a ten year schedule.

f. Schedule of the Town's Contributions

The schedule details the Town's contractually required contributions, the contributions made by the Town, the deficiency/(excess) of contributions made by the Town, the Town's covered payroll and the Town's contributions as a percentage of covered payroll. As more information becomes available this will be a ten year schedule.

(C) Other Post Employment Benefits (OPEB) Disclosures

Plan Administration: The Town administers all activity related to the other post-employment benefits plan - a single employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all eligible employees of the Town. Management of the plan is vested in the Town's Treasurer. The Town's Board of Selectmen has the authority to establish and amend benefit terms.

Benefits Provided: The Town provides retired employees and their spouses and dependents with payments for a portion of their health insurance benefits. Benefits are provided through a third-party insurer.

Contributions. The Town pays 75% of the health insurance premiums for its active employees, their spouses and retirees. Spouses of retirees must pay 100% of their premiums. Benefits paid by the Town are on a pay-as-you-go basis. The contribution requirements of plan members and the Town are established and may be amended from time to time.

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

Board of Selectmen
Town of Warren
48 High Street
Warren, MA 01083

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Warren, Massachusetts, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Warren, Massachusetts' basic financial statements, and have issued our report thereon dated May 30, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Warren, Massachusetts' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Warren, Massachusetts' internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Warren, Massachusetts' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

James J. Giusti

James J. Giusti
Certified Public Accountant
Georgetown, Massachusetts
May 30, 2023