

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

Town of Warren, Massachusetts

Report on Examination of the Basic Financial Statements and
Additional Information

Year Ended June 30, 2023



TOWN OF WARREN, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Town as of June 30, 2023, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements taken as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 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 we:

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

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

Required Supplementary Information

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

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for

consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Roselli Clark & Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts 01801
April 12, 2024

Management's Discussion and Analysis

As the management of the Town of Warren, Massachusetts (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information listed in the table of contents.

Financial Highlights

- The Town's assets and deferred outflows of financial resources exceeded its liabilities and deferred inflows of financial resources at the close of the most recent fiscal year by approximately \$12.7 million (*total net position*). This represents an increase of about \$1.1 million from the prior year.
- The Town's net position in its governmental activities increased nearly \$2.1 million, which included a restatement to reclassify nearly \$0.9 million which was incorrectly reported in the business-type activities net position in the prior year. A correlative restatement decreasing net position over \$0.9 million was also recorded in the business-type activities. This represented the majority of the decrease in business-type activities.
- The Town continues to report a deficit in its unrestricted net position in both its governmental and business-type activities. This deficit was over \$3.1 million in aggregate and due primarily to the recording of liabilities associated with OPEB and pension benefits, which totaled over \$8.7 million, in the aggregate. These liabilities are applied to the Town's unrestricted net position and represent actuarial estimates of future pension and other postemployment benefits payable by the Town for retiree medical insurance and pensions.
- The Town's Unassigned Fund Balance reported in the General Fund was approximately \$4.3 million (or approximately 41.9% of General Fund expenditures), this is available for spending at the government's discretion. The total fund balance in the General Fund was approximately \$4.7 million (or approximately 45.8% of General Fund expenditures).
- The Town also operates three major funds in addition to the General Fund; one fund was set up to account for the construction of the Town's Capital Projects and has a total fund deficit of approximately \$0.4 million (to be funded from a future bond issuance). The Storm Remediation fund was for money received for storm cleanup from a storm in 2021, which has a restricted fund balance of nearly \$1.1 million. Another fund was set up to account for the Town's ARPA activities, which has no fund balance since those monies are unearned until the expenditures are incurred. The Town's aggregate Nonmajor funds include restricted balances of over \$1.0 million and a portion classified as nonspendable of \$125,000.
- The Town's total long-term debt decreased by nearly \$56,000 during the fiscal year as a result of regular scheduled maturities.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the 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 to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

The governmental activities of the Town include general government, public safety, public works, education, community development, health and human services, culture and recreation, fringe benefits, and interest expense. The business-type activities of the Town include sewer and landfill enterprise funds.

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

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

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

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus *on near-term*

inflows and outflows of spendable resources, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the ARPA Grant Fund, Storm Remediation Grant Fund, and the Capital Projects Fund which are presented as major funds.

Data from the other governmental funds are combined into a single, aggregated presentation entitled Nonmajor Funds.

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

Proprietary Funds - Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. 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 enterprise funds of the sewer and landfill activities.

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

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

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

Government-wide Financial Analysis

The condensed comparative statements of net position for the two most recent years are as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>June 30,</u>		<u>June 30,</u>		<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<u>Assets</u>						
Current and other assets	\$ 10,218,859	\$ 8,829,397	\$ 1,025,277	\$ 1,023,930	\$ 11,244,136	\$ 9,853,327
Capital assets, net	12,523,885	10,825,818	3,780,763	3,905,666	16,304,648	14,731,484
Total assets	22,742,744	19,655,215	4,806,040	4,929,596	27,548,784	24,584,811
<u>Deferred Outflows of Resources</u>	866,049	858,971	174,202	27,499	1,040,251	886,470
<u>Liabilities</u>						
Long-term liabilities	8,886,564	646,854	2,496,008	24,000	11,382,572	670,854
Other liabilities	2,331,015	8,806,921	29,159	1,356,867	2,360,174	10,163,788
Total liabilities	11,217,579	9,453,775	2,525,167	1,380,867	13,742,746	10,834,642
<u>Deferred Inflows of Resources</u>	1,981,526	2,782,479	183,789	266,955	2,165,315	3,049,434
<u>Net Position</u>						
Net investment in capital assets	10,756,830	9,449,134	2,910,435	3,012,863	13,667,265	12,461,997
Restricted	2,268,198	2,738,055	-	40,719	2,268,198	2,778,774
Unrestricted	(2,615,340)	(3,909,257)	(639,149)	255,691	(3,254,489)	(3,653,566)
Total Net Position	\$ 10,409,688	\$ 8,277,932	\$ 2,271,286	\$ 3,309,273	\$ 12,680,974	\$ 11,587,205

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's assets and deferred outflows of financial resources exceeded its liabilities and deferred inflows of financial resources at the close of the most recent fiscal year by approximately \$12.7 million (*total net position*). This represents an increase of about \$1.1 million from the prior year.

By far the largest portion (nearly \$13.7 million) of the Town's net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (nearly \$2.3 million) represents resources that are subject to external restrictions on how they may be used.

The remaining balance of *unrestricted net position* is in deficit by nearly \$3.3 million. This is primarily the result of reporting related to net pension and net OPEB liabilities required under GASB 68 and GASB 75. The recognition of these liabilities had a significant negative impact on the Town's net position that is expected to continue into the foreseeable future.

The condensed comparative statements of activities for the two most recent fiscal years are as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	June 30,		June 30,		June 30,	
	2023	2022	2023	2022	2023	2022
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 865,340	\$ 627,195	\$ 770,554	\$ 650,101	\$ 1,635,894	\$ 1,277,296
Operating grants and contributions	658,970	2,490,515	-	-	658,970	2,490,515
Capital grants and contributions	524,798	-	-	-	524,798	-
General revenues:						
Property taxes	8,327,264	7,089,686	-	-	8,327,264	7,089,686
Intergovernmental	1,055,632	994,363	-	-	1,055,632	994,363
Other	736,866	818,830	3,496	-	740,362	818,830
Total Revenues	12,168,870	12,020,589	774,050	650,101	12,942,920	12,670,690
<u>Expenses</u>						
General government	1,508,697	2,262,404	-	-	1,508,697	2,262,404
Public safety	2,337,177	1,960,662	-	-	2,337,177	1,960,662
Education	4,781,758	4,174,732	-	-	4,781,758	4,174,732
Public works	1,429,790	1,068,445	-	-	1,429,790	1,068,445
Health and human services	351,559	262,722	-	-	351,559	262,722
Culture and recreation	396,967	329,691	-	-	396,967	329,691
Interest expense	7,760	78,491	-	-	7,760	78,491
Sewer	-	-	963,437	654,529	963,437	654,529
Landfill	-	-	67,839	97,327	67,839	97,327
Total Expenses	10,813,708	10,137,147	1,031,276	751,856	11,844,984	10,889,003
Increase in net position before transfers	1,355,162	1,883,442	(257,226)	(101,755)	1,097,936	1,781,687
Transfers	(109,559)	84,798	109,559	(119,504)	-	(34,706)
Change in net position	1,245,603	1,968,240	(147,667)	(221,259)	1,097,936	1,746,981
Net position, beginning of year	8,277,932	6,309,692	3,309,273	3,530,532	11,587,205	9,840,224
Restatement - see Note V	886,153	-	(890,320)	-	(4,167)	-
Net position, beginning of year, as restated	9,164,085	6,309,692	2,418,953	3,530,532	11,583,038	9,840,224
Net position, end of year	\$ 10,409,688	\$ 8,277,932	\$ 2,271,286	\$ 3,309,273	\$ 12,680,974	\$ 11,587,205

Governmental Activities – Total revenues in fiscal year 2023 in the Town’s governmental activities were consistent with the prior year. This following are the highlights:

- a. Property taxes, which represent 68.4% of total revenues was, about \$1.2 million greater than the prior year. This was due to Prop 2 ½ increase in assessments, a debt exclusion and a more aggressive tax lien foreclosure process that resulted in more collections.
- b. Grants and contributions, both operating and capital, represented 9.7% of total revenue and were nearly \$1.3 million less than the prior year due to a significant decrease in ARPA and other grant activity.

No other revenue sources exceeded 10% of total revenues in either fiscal year 2023 or 2022.

Education represents the largest expense category for the Town and is provided through regional school districts. In total, education expenses represent approximately 44.2% and 41.2% of total fiscal year 2023 and 2022 expenses, respectively. In terms of gross dollars, education expenses increased over \$0.6 million in fiscal year 2023, which reflected the increase in the Town’s assessment to its regional school districts. The districts assess the Town a portion of the total cost of providing education services to its students. This is typically assessed as a ratio based on school enrollment. Overall education costs

continue to rise, especially benefits. Other major expenses were for general government, public safety and public works, which comprised about 14.0%, 21.6% and 13.2%, respectively, of total expenses; these ratios, when combined, were consistent with the prior year combined ratios as the Town reclassified expenses differently in the current year. No other expenses exceeded 10% of total expenses in either fiscal year 2023 or 2022.

Business-type Activities. The primary revenue sources for both sewer activities are comprised of usage fees for metered services and system connections which represented approximately 99% of total revenues. The remainder is from investment income. Business-type revenues increased approximately \$0.1 million due to rate increases.

Sewer and landfill expenses represented 100% of total business-type expenses and consisted of operating expense, interest expense, and depreciation. The increase in expenses in the Sewer fund was mainly related to pension and OPEB revisions over the prior year methodology.

Financial Analysis of the Government's Funds

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

Governmental Funds – The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. The Town presents a General Fund, ARPA Grant Fund, Storm Remediation Grant Fund, Capital Project Funds and combined Nonmajor Funds.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was approximately \$4.3 million, while total fund balance was approximately \$4.7 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 41.9% of total General Fund expenditures, while total fund balance represents approximately 45.8% of that same amount. The general fund balance increased by nearly \$0.5 million primarily related to conservative spending.

The ARPA Fund included revenues and expenditures of about \$0.5 million. Because revenue is not recognized until expenditures are incurred, the fund never has a fund balance.

The Storm Remediation Fund included no revenues or expenditures as the money is for road maintenance to roads impacted by a storm in 2021 of which the work has not been completed. There is a restricted fund balance of nearly \$1.1 million, which was consistent with the prior year.

The Town maintains a Capital Projects Fund which was created to account for the construction of capital projects. The current year fund deficit of about \$0.4 million represents a decrease of \$0.3 million from last year. It is expected that this deficit will be funded in the future through a bond issuance.

The nature of Nonmajor Funds is the accumulation of resources through intergovernmental grants, user charges or contributions. These resources are typically restricted for specific purposes and over time are exhausted by their intended use and net to zero. Any residual balances at any one particular point in time or during the course of the year is merely the result of timing of revenues and expenditures; therefore, annual surpluses or deficits are not overly meaningful.

Proprietary Funds – The Town’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the year, net position of the Sewer Fund was over \$2.1 million; and net position of the Landfill Fund amounted to nearly \$0.2 million.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were minor (5.3%) and related mainly to transfers made to stabilization fund after free cash was certified. The schedule of budgetary information is provided as *Required Supplementary Information*.

Capital Asset and Debt Administration

Capital Assets - The Town’s investment in capital assets for its governmental and business-type activities as of June 30, 2023, amounts to approximately \$16.3 million (net of accumulated depreciation).

This investment in capital assets includes land, construction in process, buildings and improvements, infrastructure, machinery, equipment and vehicles and reflects a net increase of approximately \$1.6 million, as a result of approximately \$2.0 million of capital asset additions offset by approximately \$0.4 million of depreciation.

Additional information on the Town’s capital assets can be found in the Notes to this report.

Long-Term Debt - At the end of the current fiscal year, the Town had total debt outstanding of approximately \$2.2 million. The Town’s total long-term debt decreased by approximately \$56,000 during the fiscal year due to regular scheduled maturities.

The last bond rating received by the Town was an “A1” as set by Moody’s for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5.0% percent of its total equalized valuation. The current debt limitation for the Town is over \$24.3 million based on the 2023 assessed valuation, which is significantly in excess of the Town’s outstanding general obligation debt.

The Town is also responsible for a proportionate share of debt of other governmental units that provide services within the Town’s boundaries. The debt service from such arrangements is assessed annually to the Town.

Additional information on the Town’s debt can be found in Note II. E and F of this report.

Economic Factors and Next Year’s Budgets and Rates

- The Town’s real estate tax base is made up predominantly of residential taxes, which in 2024 represent approximately 84% of the entire property tax levy. The Town relies to a certain extent on its commercial, industrial, and personal property real estate tax base which comprise the remainder of the levy. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as proposition 2 ½, limits the Town’s ability to increase taxes in any one year by more than 2 ½% of the previous year tax levy. This limit may be exceeded through a majority vote at Town Meeting along with ballot approval.
- Local housing prices have increased significantly in recent years and are now beginning to stabilize due to the correlative impact that recent Federal Open Market Committee interest rate hikes have had on mortgage rates. The Town expects housing prices to remain stable in 2024.

- Inflation has risen to historic levels in fiscal 2023. This has continued into 2024 but is beginning to stabilize. This has impacted wages, construction, supplies, utilities and borrowing costs. The Town is monitoring this situation.
- The Town anticipates state aid for 2024 to remain consistent at about \$1.2 million.

The above items were considered when the Town developed its budget for fiscal year 2024 which was approved at its Annual Town Meeting in May 2023, and the Town set its tax rate in December 2023.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town of Warren Finance Department, 48 High Street, Warren, Massachusetts 01083.

TOWN OF WARREN, MASSACHUSETTS

**STATEMENT OF NET POSITION
JUNE 30, 2023**

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 6,028,335	\$ 777,595	\$ 6,805,930
Investments	2,153,876	-	2,153,876
Receivables (net):			
Property taxes	818,315	-	818,315
Excise taxes	242,363	-	242,363
User fees	-	247,682	247,682
Departmental	188,565	-	188,565
Intergovernmental	599,837	-	599,837
Tax foreclosures	187,568	-	187,568
Capital assets, not being depreciated	7,230,915	235,750	7,466,665
Capital assets, net of accumulated depreciation	5,292,970	3,545,013	8,837,983
Total Assets	22,742,744	4,806,040	27,548,784
Deferred Outflows of Resources			
Related to net other postemployment benefits liability	112,214	7,435	119,649
Related to net pension liability	753,835	166,767	920,602
Total Deferred Outflows of Resources	866,049	174,202	1,040,251
Liabilities			
Warrants and accounts payable	725,959	23,695	749,654
Accrued payroll and withholdings	152,811	5,464	158,275
Unearned revenues	469,861	-	469,861
Other liabilities	559,484	-	559,484
Bond anticipation notes	422,900	-	422,900
Noncurrent liabilities:			
Due within one year	58,799	42,651	101,450
Due in more than one year	8,827,765	2,453,357	11,281,122
Total Liabilities	11,217,579	2,525,167	13,742,746
Deferred Inflows of Resources			
Related to net other postemployment benefits liability	1,642,706	108,834	1,751,540
Related to net pension liability	338,820	74,955	413,775
Total Deferred Inflows of Resources	1,981,526	183,789	2,165,315
Net Position			
Net investment in capital assets	10,756,830	2,910,435	13,667,265
Restricted:			
Nonexpendable permanent funds	125,381	-	125,381
Expendable permanent funds	346,041	-	346,041
Federal and State grants	1,340,707	-	1,340,707
Other purposes	456,069	-	456,069
Unrestricted	(2,615,340)	(639,149)	(3,254,489)
Total Net Position	\$ 10,409,688	\$ 2,271,286	\$ 12,680,974

See accompanying notes to basic financial statements.

TOWN OF WARREN, MASSACHUSETTS

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,508,697	\$ 170,832	\$ 289,058	\$ -	\$ (1,048,807)		\$ (1,048,807)
Public safety	2,337,177	372,662	77,824	305,059	(1,581,632)		(1,581,632)
Education	4,781,758	-	10,989	-	(4,770,769)		(4,770,769)
Public works	1,429,790	276,842	58,600	219,739	(874,609)		(874,609)
Health and human services	351,559	3,910	83,884	-	(263,765)		(263,765)
Culture and recreation	396,967	41,094	138,615	-	(217,258)		(217,258)
Interest expense	7,760	-	-	-	(7,760)		(7,760)
Total governmental activities	10,813,708	865,340	658,970	524,798	(8,764,600)		(8,764,600)
Business-type activities:							
Water	963,437	770,554	-	-		\$ (192,883)	(192,883)
Sewer	67,839	-	-	-		(67,839)	(67,839)
Total business-type activities	1,031,276	770,554	-	-		(260,722)	(260,722)
Total Primary Government	\$ 11,844,984	\$ 1,635,894	\$ 658,970	\$ 524,798	(8,764,600)	(260,722)	(9,025,322)
<u>General Revenues:</u>							
					8,327,264	-	8,327,264
						-	
					1,055,632	-	1,055,632
					502,020	-	502,020
					92,952	-	92,952
					141,894	3,496	145,390
					-	-	-
					(109,559)	109,559	-
					10,010,203	113,055	10,123,258
					1,245,603	(147,667)	1,097,936
<u>Net Position:</u>							
					9,164,085	2,418,953	11,583,038
					\$ 10,409,688	\$ 2,271,286	\$ 12,680,974

See accompanying notes to basic financial statements.

TOWN OF WARREN, MASSACHUSETTS

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	ARPA Grant	Storm Remediation Grant	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 3,822,055	\$ 469,861	\$ 1,093,733	\$ 6,647	\$ 636,039	\$ 6,028,335
Investments	1,682,168	-	-	-	471,708	2,153,876
Receivables:						
Property taxes	818,315	-	-	-	-	818,315
Excise taxes	242,363	-	-	-	-	242,363
Departmental and other	188,565	-	-	-	-	188,565
Intergovernmental	-	-	-	-	599,837	599,837
Tax foreclosures	187,568	-	-	-	-	187,568
Total Assets	<u>6,941,034</u>	<u>469,861</u>	<u>1,093,733</u>	<u>6,647</u>	<u>1,707,584</u>	<u>10,218,859</u>
Deferred Outflows of Resources	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 6,941,034</u>	<u>\$ 469,861</u>	<u>\$ 1,093,733</u>	<u>\$ 6,647</u>	<u>\$ 1,707,584</u>	<u>\$ 10,218,859</u>
Liabilities						
Warrants and accounts payable	\$ 212,483	\$ -	\$ -	\$ -	\$ 513,476	\$ 725,959
Accrued payroll and withholdings	126,521	-	-	-	26,290	152,811
Unearned revenue	-	469,861	-	-	-	469,861
Planning deposits	485,899	-	-	-	-	485,899
Bond anticipation notes	-	-	-	422,900	-	422,900
Other liabilities	73,585	-	-	-	-	73,585
Total Liabilities	<u>898,488</u>	<u>469,861</u>	<u>-</u>	<u>422,900</u>	<u>539,766</u>	<u>2,331,015</u>
Deferred Inflows of Resources						
Unavailable revenue - property taxes	768,722	-	-	-	-	768,722
Unavailable revenue - excise taxes	242,363	-	-	-	-	242,363
Unavailable revenue - other	376,133	-	-	-	-	376,133
Total Deferred Inflows of Resources	<u>1,387,218</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,387,218</u>
Fund Balances						
Nonspendable	-	-	-	-	125,381	125,381
Restricted	-	-	1,093,733	6,647	1,042,437	2,142,817
Committed	93,389	-	-	-	-	93,389
Assigned	306,957	-	-	-	-	306,957
Unassigned	4,254,982	-	-	(422,900)	-	3,832,082
Total Fund Balances	<u>4,655,328</u>	<u>-</u>	<u>1,093,733</u>	<u>(416,253)</u>	<u>1,167,818</u>	<u>6,500,626</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,941,034</u>	<u>\$ 469,861</u>	<u>\$ 1,093,733</u>	<u>\$ 6,647</u>	<u>\$ 1,707,584</u>	<u>\$ 10,218,859</u>

See accompanying notes to basic financial statements.

TOWN OF WARREN, MASSACHUSETTS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2023**

Total Governmental Fund Balances	\$ 6,500,626
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	12,523,885
Other long-term assets are not available to pay for current period expenditures and, therefore are reported as unavailable revenue in the funds.	1,387,218
Deferred outflows and (inflows) of resources to be recognized in future pension and other postemployment benefits expense are not available resources and, therefore, are not reported in the funds:	
Deferred outflows related to net other postemployment benefits liability	112,214
Deferred outflows related to net pension liability	753,835
Deferred inflows related to net other postemployment benefits liability	(1,642,706)
Deferred inflows related to net pension liability	(338,820)
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the government funds:	
Bonds and notes payable	(1,344,155)
Unamortized bond premium	-
Direct borrowings and placements	-
Post-closing landfill monitoring costs	-
Compensated absences	(99,711)
Net other postemployment benefits liability	(2,269,135)
Net pension liability	(5,173,563)
Net Position of Governmental Activities	<u>\$ 10,409,688</u>

See accompanying notes to basic financial statements.

TOWN OF WARREN, MASSACHUSETTS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 2023

	General Fund	ARPA Grant	Storm Remediation Grant	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Property taxes	\$ 8,350,795	\$ -	\$ -	\$ -	\$ -	\$ 8,350,795
Intergovernmental	1,119,669	502,320	-	-	1,170,685	2,792,674
Excise taxes	505,931	-	-	-	-	505,931
Licenses and permits	133,321	-	-	-	-	133,321
Departmental and other revenue	453,137	-	-	-	377,763	830,900
Penalties and interest on taxes	92,952	-	-	-	-	92,952
Fines and forfeitures	21,947	-	-	-	-	21,947
Investment income	132,925	-	-	-	8,969	141,894
Contributions and donations	-	-	-	-	66,248	66,248
Total Revenues	<u>10,810,677</u>	<u>502,320</u>	<u>-</u>	<u>-</u>	<u>1,623,665</u>	<u>12,936,662</u>
Expenditures:						
Current:						
General government	1,064,615	112,386	-	-	92,605	1,269,606
Public safety	1,971,833	305,059	-	-	98,484	2,375,376
Education	4,781,758	-	-	-	-	4,781,758
Public works	816,988	84,875	-	350,000	1,125,608	2,377,471
Health and human services	259,810	-	-	-	30,086	289,896
Culture and recreation	265,568	-	-	-	76,785	342,353
Fringe and pension benefits	893,830	-	-	-	-	893,830
State and county tax assessments	11,793	-	-	-	-	11,793
Debt service:	-	-	-	-	-	-
Principal	32,529	-	-	-	-	32,529
Interest	57,450	-	-	-	-	57,450
Total Expenditures	<u>10,156,174</u>	<u>502,320</u>	<u>-</u>	<u>350,000</u>	<u>1,423,568</u>	<u>12,432,062</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>654,503</u>	<u>-</u>	<u>-</u>	<u>(350,000)</u>	<u>200,097</u>	<u>504,600</u>
Other Financing Sources (Uses):						
Transfers in	14,999	-	-	50,000	33,402	98,401
Transfers out	(192,961)	-	-	-	(14,999)	(207,960)
Total Other Financing Sources (Uses)	<u>(177,962)</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>18,403</u>	<u>(109,559)</u>
Net Change in Fund Balances	476,541	-	-	(300,000)	218,500	395,041
Fund Balances - Beginning (as restated - see Note V)	4,178,787	-	1,093,733	(116,253)	949,318	6,105,585
Fund Balances - Ending	<u>\$ 4,655,328</u>	<u>\$ -</u>	<u>\$ 1,093,733</u>	<u>\$ (416,253)</u>	<u>\$ 1,167,818</u>	<u>\$ 6,500,626</u>

See accompanying notes to basic financial statements.

TOWN OF WARREN, MASSACHUSETTS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

Net Change in Fund Balances - Total Governmental Fund Balances **\$ 395,041**

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. The net amounts are reflected here as reconciling items:

Capital outlays	\$ 1,995,636	
Depreciation	<u>(297,569)</u>	
Net effect of reporting capital assets		1,698,067

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas these amounts are amortized in the Statement of Activities. The net amount presented here as a reconciling item represents the following differences:

Repayments of debt principal	<u>32,529</u>	
Net effect of reporting long-term debt		32,529

Revenues in the Statement of Activities that do not provide current financial resources are reported as unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue of various types of accounts receivable differ between the two statements. The amount presented represents the difference in unavailable revenue. (767,792)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Accrued interest on debt	49,690	
Other postemployment benefits	835	
Pension benefits	<u>(162,767)</u>	
Net effect of reporting long-term liabilities		<u>(112,242)</u>

Change in Net Position of Governmental Activities **\$ 1,245,603**

See accompanying notes to basic financial statements.

TOWN OF WARREN, MASSACHUSETTS

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

JUNE 30, 2023

	Business-type Activities - Enterprise Funds		
	Sewer	Landfill	Totals
Assets			
Current assets:			
Cash and cash equivalents	\$ 660,521	\$ 117,074	\$ 777,595
Receivables, net:			
User charges	247,682	-	247,682
Total current assets	<u>908,203</u>	<u>117,074</u>	<u>1,025,277</u>
Noncurrent assets:			
Land	17,200	218,550	235,750
Capital assets, net of depreciation/amortization	3,406,936	138,077	3,545,013
Total noncurrent assets	<u>3,424,136</u>	<u>356,627</u>	<u>3,780,763</u>
Total Assets	<u>4,332,339</u>	<u>473,701</u>	<u>4,806,040</u>
Deferred Outflows of Resources			
Related to net other postemployment benefits	7,435	-	7,435
Related to net pension liability	166,767	-	166,767
Total Deferred Outflows of Resources	<u>174,202</u>	<u>-</u>	<u>174,202</u>
Liabilities			
Current liabilities:			
Warrants and accounts payable	23,695	-	23,695
Accrued payroll and withholdings	5,464	-	5,464
Post-closure landfill costs	-	17,000	17,000
Bonds and notes payable	23,695	-	23,695
Compensated absences	1,956	-	1,956
Total current liabilities	<u>54,810</u>	<u>17,000</u>	<u>71,810</u>
Noncurrent liabilities:			
Bonds and notes payable	846,633	-	846,633
Compensated absences	5,866	-	5,866
Post-closure landfill costs	-	306,000	306,000
Net other postemployment benefits liability	150,337	-	150,337
Net pension liability	1,144,521	-	1,144,521
Total noncurrent liabilities	<u>2,147,357</u>	<u>306,000</u>	<u>2,453,357</u>
Total Liabilities	<u>2,202,167</u>	<u>323,000</u>	<u>2,525,167</u>
Deferred Inflows of Resources			
Related to net other postemployment benefits liability	108,834	-	108,834
Related to net pension liability	74,955	-	74,955
Total Deferred Inflows of Resources	<u>183,789</u>	<u>-</u>	<u>183,789</u>
Net Position			
Net investment in capital assets	2,553,808	356,627	2,910,435
Unrestricted	(433,223)	(205,926)	(639,149)
Total Net Position	<u>\$ 2,120,585</u>	<u>\$ 150,701</u>	<u>\$ 2,271,286</u>

See accompanying notes to basic financial statements.

TOWN OF WARREN, MASSACHUSETTS

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

	Business-type Activities - Enterprise Funds		
	Sewer	Landfill	Totals
Operating Revenues:			
Charges for services	\$ 652,362	\$ -	\$ 652,362
Other income	118,192	-	118,192
Total Operating Revenues	<u>770,554</u>	<u>-</u>	<u>770,554</u>
Operating Expenses:			
Operating costs	799,557	64,319	863,876
Depreciation	122,102	3,520	125,622
Total Operating Expenses	<u>921,659</u>	<u>67,839</u>	<u>989,498</u>
Operating Income	<u>(151,105)</u>	<u>(67,839)</u>	<u>(218,944)</u>
Nonoperating Revenues (Expenses):			
Interest income	2,931	565	3,496
Interest expense	(41,778)	-	(41,778)
Total Nonoperating Revenues (Expenses)	<u>(38,847)</u>	<u>565</u>	<u>(38,282)</u>
Income Before Capital Contributions and Transfers	<u>(189,952)</u>	<u>(67,274)</u>	<u>(257,226)</u>
Transfers in	40,910	68,649	109,559
Change in Net Position	(149,042)	1,375	(147,667)
Total Net Position - Beginning, as restated	<u>2,269,627</u>	<u>149,326</u>	<u>2,418,953</u>
Total Net Position - Ending	<u>\$ 2,120,585</u>	<u>\$ 150,701</u>	<u>\$ 2,271,286</u>

See accompanying notes to basic financial statements.

TOWN OF WARREN, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023**

	Business-Type Activities Enterprise Funds		
	Sewer	Landfill	Total
Cash Flows from Operating Activities:			
Receipts from users	\$ 781,768	\$ -	\$ 781,768
Payments to employees and benefits	(227,556)	-	(227,556)
Payments to vendors	(506,890)	(387,319)	(894,209)
Net Cash Provided By (Used In) Operating Activities	<u>47,322</u>	<u>(387,319)</u>	<u>(339,997)</u>
Cash Flows from Noncapital Related Financing Activities:			
Net transfers	40,910	68,649	109,559
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>40,910</u>	<u>68,649</u>	<u>109,559</u>
Cash Flows from Capital and Related Financing Activities:			
Principal payments on bonds and other long-term notes	(23,192)	-	(23,192)
Interest expense	(42,586)	-	(42,586)
Net Cash (Used In) Capital and Related Financing Activities	<u>(65,778)</u>	<u>-</u>	<u>(65,778)</u>
Cash Flows from Investing Activities:			
Interest income	2,931	565	3,496
Net Cash Provided By Investing Activities	<u>2,931</u>	<u>565</u>	<u>3,496</u>
Net Change in Cash and Cash Equivalents	25,385	(318,105)	(292,720)
Cash and Cash Equivalents:			
Beginning of year	635,136	129,179	764,315
End of year	<u>\$ 660,521</u>	<u>\$ (188,926)</u>	<u>\$ 471,595</u>
Reconciliation of Operating Income to Net Cash Provided By (Used In) Operating Activities:			
Operating income	\$ (151,105)	\$ (67,839)	\$ (218,944)
Depreciation	122,102	3,520	125,622
Changes in assets and deferred outflows and liabilities and deferred inflows:			
Receivables	11,214	-	11,214
Deferred outflows of resources	(15,632)	-	(15,632)
Deferred inflows of resources	(150,022)	-	(150,022)
Accounts payable, accrued expenses and other liabilities	230,765	(323,000)	(92,235)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 47,322</u>	<u>\$ (387,319)</u>	<u>\$ (339,997)</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF WARREN, MASSACHUSETTS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2023

	Private Purpose Trust
Assets	
Investments	\$ 123,910
Receivable	<u>14,032</u>
Total Assets	<u>137,942</u>
Liabilities	
Deferred revenue	<u>14,032</u>
Total Liabilities	<u>14,032</u>
Net Position	
Held in trust	<u>123,910</u>
Total Net Position	<u><u>\$ 123,910</u></u>

See accompanying notes to basic financial statements.

TOWN OF WARREN, MASSACHUSETTS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2023

	Private Purpose Trust
Additions:	
Investment income:	
Interest, dividends, realized gains/losses	\$ 2,274
Net investment earnings (losses)	2,274
Total Net Additions	<u>2,274</u>
Deductions:	
Education	105
Culture and recreation	1,796
Total Deductions	<u>1,901</u>
Change in Net Position	373
Net Position - Beginning	<u>123,537</u>
Net Position - Ending	<u><u>\$ 123,910</u></u>

See accompanying notes to basic financial statements.

TOWN OF WARREN, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town is located in Worcester County, approximately 70 miles west of Boston. The Town was incorporated in 1741. The governing structure utilizes an open town meeting forum, with an elected three-member Board of Selectmen, and an appointed Town Administrator who performs and oversees the daily executive and administrative duties. The Town provides governmental services for the territory within its boundaries, including police and fire protection, public education in grades K-12 through a regional school district, sewer and landfill services, street maintenance, and parks and recreational facilities. The sewer and landfill services are funded almost entirely with user charges.

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

The Town is a member community of the Quaboag Regional School District that provides educational services to two area communities. This joint venture assesses each community its share of operational and debt service costs based on student population and other factors. In fiscal year 2023, the Town's share of the operating and debt service expenses was \$4,292,757. There is no equity interest reported in these financial statements. Complete audited financial statements can be obtained from the District's administrative office located at 284 Old West Brookfield Road, Warren, MA 01083.

\$430,679 was also paid to the Pathfinder Regional Vocational Technical High School, which is a technical high school that services a much smaller portion of the Town's student population.

B. Government-Wide and Fund Financial Statements

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

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

columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds if they exist are reported by fund type.

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

1. The total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least ten percent of the corresponding element (assets and deferred outflows, liabilities, and deferred inflows, etc.) for all funds of that category or type (total governmental or total enterprise funds), and
2. 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 five percent of the corresponding element for all governmental and enterprise funds combined.

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

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

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

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

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

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

The Town applies the susceptible to accrual criteria to intergovernmental revenues. In applying the susceptible to accrual concept, there are two types of revenues. In one, moneys must be expended

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

The government reports the following major governmental funds:

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

ARPA Grant Fund – Accounts for revenues and expenditures of Coronavirus State and Local Fiscal Recovery Fund created by the American Rescue Plan Act of 2021.

Storm Remediation Grant Fund – Accounts for revenues and expenditures of State money received for a storm.

Capital Projects Fund – Accounts for financial resources that are restricted, committed or assigned to expenditures for other capital outlays.

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

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

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

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

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

The government reports the following major proprietary funds:

Sewer Enterprise Fund – is used to account for the operation of the sewer department. Costs associated with maintaining the related infrastructure and providing services to the general public on a continuing basis, including depreciation/amortization, are financed, or recovered primarily through user charges.

Landfill Enterprise Fund – is used to account for the operation of the landfill. Costs associated with maintaining the related infrastructure and providing services to the general public on a continuing basis, including depreciation/amortization, are financed, or recovered primarily through Town contributions.

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

Private-Purpose Trust Fund – is used to account for trust arrangements under which principal and income benefit individuals, private organizations or other governments. This fund is used for educational scholarships and support to veterans and the needy.

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

Deposits and Investments – The Town’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the Town are reported at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of its investments is recognized as an increase or decrease to investment assets and investment income.

Receivables – Real estate and personal property taxes are assessed on January 1 every year. Bills are sent quarterly and are due on August 1, November 1, February 1, and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes at the rate of 14% per annum. Property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate taxes and sewer user fees are secured through a lien process in the second quarter of the following fiscal year and are considered 100% collectible. Accordingly, an allowance for doubtful collections for these receivables is not reported. All personal property tax, excise tax and other departmental receivables are shown net of an allowance for doubtful accounts comprised of those outstanding amounts greater than five years old.

Inventories and Prepaid Items – Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles (including leased vehicles), and infrastructure (e.g., roads, sewer and landfill improvements, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased, leased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

All purchases, present value of leased vehicles and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected lives of greater than two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

Buildings and improvements	40 years
Machinery and equipment	5-7 years
Vehicles	5-10 years
Infrastructure	40-60 years

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

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

Compensated Absences – It is the Town’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures. Amounts related to these benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in Governmental Funds only if they have matured.

Long-term Obligations – Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bond anticipation notes payable are reported net of the applicable bond premium or discount.

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

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

The Town has two types of items that are reported on the government-wide statement of net position which relate to outflows from changes in the net pension liability and changes in the net other postemployment benefit liability. The deferred pensions and OPEB items will be recognized in pension expense and benefits expense in future years as more fully described later in this report.

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

The Town has two types of items that are reported on the government-wide statement of net position which relate to inflows from changes in the net pension liability and the net other postemployment benefit liability. The deferred pensions and OPEB items will be recognized in pension and benefits expense in future years as more fully described later in this report.

The Town also reports one type of item that arises under a modified accrual basis of accounting which qualifies for reporting in this category. Accordingly, the item unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from three sources: (1) property taxes, (2) excise taxes, and (3) other. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

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

Nonexpendable permanent funds represent amounts held in trust whereby expenditures are subject to various trust agreements.

Expendable permanent funds represent amounts held in trust whereby expenditures are subject to various trust agreements.

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

Fund Equity – In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent in which the Town is required to honor constraints on the specific purpose for which amounts in the funds can be spent.

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

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

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

Committed represents amounts that can only be used for specific purposes pursuant to formal action of the Town Meeting through Town Meeting Votes, which represent the most binding constraint that give rise to committed fund balance. Those committed amounts cannot be used for any other purpose unless the Town Meeting removes or changes the specified use by taking the same type of action (through Town Meeting Votes) it employed previously to commit those amounts.

Assigned represents amounts that are constrained by the Town's intent to be used for specific purposes, but they are neither restricted nor committed. The Board of Selectmen has by ordinance authorized the Town Accountant to assign fund balance. The Town Meeting may also assign fund balance as it does when it appropriates fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

Unassigned represents amounts that have not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a *negative* unassigned fund balance amount.

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

Stabilization Fund – The Town maintains a general stabilization fund which may be used for any municipal purpose upon a two-thirds vote of the Town Meeting. The balance of the fund totals \$1,648,194 and is reported as unassigned fund balance in the General Fund.

Additionally, the Town maintains a several capital stabilization funds in the combined amount of \$1,043,398 to provide funding for capital improvements which may be used upon a two-thirds vote of the Town Meeting and is also reported as unassigned fund balance in the General Fund.

Encumbrances - The Town's encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal purchasing activity approved by the Town Accountant as assigned, and (2) classify encumbrances that result from an action of the Town Meeting as committed.

Encumbrances of funds already restricted or committed are included within the classification of those fund balances and not reported separately.

The Town reports \$306,957 of encumbrances from Town Meeting votes in addition to \$92,000 that has been reserved for subsequent year expenditures in the general fund as committed. The Town also reports \$1,389 of encumbrances approved by the Town Accountant from normal purchasing activity as assigned.

There are no encumbrances reported in the other funds.

The following represent the categorizations of fund balance:

	General Fund	ARPA Fund	Storm Remediation Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Nonspendable:						
Perpetual permanent funds	\$ -	\$ -	\$ -	\$ -	\$ 125,381	\$ 125,381
Restricted:						
General government	-	-	-	-	305,721	305,721
Public safety	-	-	-	-	82,046	82,046
Public works	-	-	1,093,733	6,647	234,666	1,335,046
Health and human services	-	-	-	-	51,724	51,724
Culture and recreation	-	-	-	-	368,280	368,280
Committed:						
Education	1,389	-	-	-	-	1,389
Subsequent year expenditures	92,000	-	-	-	-	92,000
Assigned:						
General government	143,600	-	-	-	-	143,600
Public safety	120,674	-	-	-	-	120,674
Public works	28,658	-	-	-	-	28,658
Health and human services	3,121	-	-	-	-	3,121
Culture and recreation	10,904	-	-	-	-	10,904
Unassigned	4,254,982	-	-	(422,900)	-	3,832,082
Totals	<u>\$ 4,655,328</u>	<u>\$ -</u>	<u>\$ 1,093,733</u>	<u>\$ (416,253)</u>	<u>\$ 1,167,818</u>	<u>\$ 6,500,626</u>

E. Excess of Expenditures Over Appropriations and Deficits

The Town incurred deficits in its Capital Projects fund in the amount of \$(422,900). These deficits are expected to be funded through future bond proceeds.

F. Use of Estimates

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

II. Detailed Notes to All Funds

A. Deposits and Investments

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

State laws and regulations require the Town to invest funds only in pre-approved investment instruments which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and State Treasurer's investment pool. In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation.

During the fiscal year, the Town did not enter into any repurchase agreements.

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

The fair value of the position in the Pool is the same as the value of the Pool shares. The Town carries \$2,967,425 in the Pool that is included in cash and equivalents in the financial statements.

Custodial Credit Risk: Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk relative to cash holdings.

At year-end, the carrying amount of the Town's deposits was \$3,838,505 and the bank balance was \$3,531,967. Of the Town's bank balance all was covered by either federal depository insurance or by the depositors' insurance fund.

Custodial Credit Risk: Investments - In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings.

The Town does maintain an investment policy for custodial credit risk relative to investment holdings. All securities not held directly by the Town will be held in the Town's name and tax identification number by a third-party custodian and evidenced by safekeeping receipts showing individual CUSIP numbers for each security. The Town's investments in negotiable certificates of deposit are fully covered by federal depository insurance.

Fair Value of Investments – The Town reports its investments at fair value. When actively quoted observable prices are not available, the Town generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

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

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

The following table presents the Town’s investments carried at fair value on a recurring basis in the statement of net position at June 30, 2023:

	Totals	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
<u>Investments by fair value level</u>				
Debt securities:				
U.S. Government obligations	\$ 770,108	\$ 634,370	\$ 135,738	\$ -
Corporate fixed income securities	1,130,271	-	1,130,271	-
Negotiable certificates of deposit	47,805	-	47,805	-
Total debt securities	1,948,184	634,370	1,313,814	-
Equity securities:				
Common stock equities	311,131	311,131	-	-
Equity mutual funds	18,471	-	18,471	-
Total equity securities	329,602	311,131	18,471	-
Total investments by fair value level	<u>\$ 2,277,786</u>	<u>\$ 945,501</u>	<u>\$ 1,332,285</u>	<u>\$ -</u>
<u>Investments measured at amortized cost</u>				
State treasurer investment pool (MMDT)	2,967,425			
Money market mutual funds	53,146			
Total investments measured at fair value	<u>\$ 5,298,357</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’s policy is to mitigate the interest rate risk by managing the duration of all investments within its accounts.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the Town’s investment in a single issuer. The Town does not have a defined limit on the amount that may be invested in any one issuer; however, the Town’s policy is to reduce concentration of credit risk by diversifying its investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. During the fiscal year, the Town did not maintain balances in any single investment that would represent more than 5% of the Town’s total investments.

Credit Risk – Credit risk is the risk of loss due to the failure of the security issuer or backer. The Town manages credit risk for deposits and investments through its careful selection of depository institutions and investment instruments. The Town also follows the prudent investor standard and invests only in financial instruments that are allowable under Massachusetts General Laws. Further, the Town will only purchase investment grade securities with a high concentration in securities rated A or better.

At June 30, 2023, the Town had the following investments and maturities:

Investments	Totals	Time Until Maturity		
		< 1 Year	1 - 5 Years	6 - 10 Years
U.S. Government obligations	\$ 770,108	\$ 29,728	\$ 740,380	\$ -
Corporate fixed income securities	1,130,271	273,921	856,350	-
Certificates of deposit	47,805	-	47,805	-
Total investments with maturities	1,948,184	\$ 303,649	\$ 1,644,535	\$ -
Other investments:				
Common stock equities	311,131			
Equity mutual funds	18,471			
State treasurer investment pool (MMDT)	2,967,425			
Money market mutual funds	53,146			
Total investment without maturities	3,350,173			
Total investments	\$ 5,298,357			

At June 30, 2023, the credit quality ratings of investments were as follows:

	Moodys Ratings	Corporate Income	U.S. Obligations
	Aaa	\$ 100,898	\$ 770,108
	A1	99,688	-
	A2	206,248	-
	A3	117,745	-
	Baa1	213,107	-
	Baa2	392,585	-
	Not rated	-	-
Totals		\$ 1,130,271	\$ 770,108

B. Receivables

Receivables as of year-end for the Town's individual major and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables and other asset type:			
Real estate and personal property taxes	\$ 410,049	\$ -	\$ 410,049
Tax liens	408,266	-	408,266
Excise taxes	295,096	(52,733)	242,363
Department and other	448,350	(259,785)	188,565
Intergovernmental	599,837	-	599,837
Total	\$ 2,161,598	\$ (312,518)	\$ 1,849,080

Receivables as of year-end for the Town's proprietary funds are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
Receivables:			
Sewer user fees	\$ 247,682	\$ -	\$ 247,682
Total	<u>\$ 247,682</u>	<u>\$ -</u>	<u>\$ 247,682</u>

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are considered unavailable to liquidate liabilities of the current period. The following identifies the components of deferred inflows of resources in the governmental funds:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Receivables and other asset type:			
Real estate and personal property taxes	\$ 360,456	\$ -	\$ 360,456
Tax liens	408,266	-	408,266
Excise taxes	242,363	-	242,363
Department and other	188,565	-	188,565
Tax foreclosures	187,568	-	187,568
Total	<u>\$ 1,387,218</u>	<u>\$ -</u>	<u>\$ 1,387,218</u>

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
<i><u>Governmental Activities:</u></i>				
Capital assets not being depreciated				
Land	\$ 6,816,753	\$ -	\$ -	\$ 6,816,753
Construction in process	-	414,162	-	414,162
Total capital assets not being depreciated	6,816,753	414,162	-	7,230,915
Capital assets being depreciated:				
Buildings and improvements	3,129,274	10,320	-	3,139,594
Infrastructure	63,659,922	491,279	-	64,151,201
Machinery and equipment	1,718,385	443,654	-	2,162,039
Vehicles	2,785,079	636,220	-	3,421,299
Total capital assets being depreciated	71,292,660	1,581,473	-	72,874,133
Less accumulated depreciation for:				
Buildings and improvements	(1,236,968)	(54,108)	-	(1,291,076)
Infrastructure	(62,788,322)	(49,560)	-	(62,837,882)
Machinery and equipment	(1,031,075)	(86,966)	-	(1,118,041)
Vehicles	(2,227,229)	(106,935)	-	(2,334,164)
Total accumulated depreciation	(67,283,594)	(297,569)	-	(67,581,163)
Total capital assets being depreciated, net	4,009,066	1,283,904	-	5,292,970
Governmental activities capital assets, net	<u>\$ 10,825,819</u>	<u>\$ 1,698,066</u>	<u>\$ -</u>	<u>\$ 12,523,885</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<i><u>Business Activities - All:</u></i>				
Capital assets not being depreciated:				
Land	\$ 235,750	\$ -	\$ -	\$ 235,750
Total capital assets not being depreciated	235,750	-	-	235,750
Capital assets being depreciated:				
Buildings and improvements	3,084,348	-	-	3,084,348
Infrastructure	3,977,507	-	-	3,977,507
Machinery and equipment	3,031,838	-	-	3,031,838
Vehicles	204,033	-	-	204,033
Total capital assets being depreciated	10,297,726	-	-	10,297,726
Less accumulated depreciation for:				
Buildings and improvements	(2,058,212)	(52,408)	-	(2,110,620)
Infrastructure	(1,396,382)	(60,154)	-	(1,456,536)
Machinery and equipment	(2,984,295)	(9,702)	-	(2,993,997)
Vehicles	(188,202)	(3,358)	-	(191,560)
Total accumulated depreciation	(6,627,091)	(125,622)	-	(6,752,713)
Total capital assets being depreciated, net	3,670,635	(125,622)	-	3,545,013
Business activities capital assets, net	<u>\$ 3,906,385</u>	<u>\$ (125,622)</u>	<u>\$ -</u>	<u>\$ 3,780,763</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<u><i>Business-type Activities: Sewer</i></u>				
Capital assets not being depreciated:				
Land	\$ 17,200	\$ -	\$ -	\$ 17,200
Total capital assets not being depreciated	17,200	-	-	17,200
Capital assets being depreciated:				
Buildings	2,490,114	-	-	2,490,114
Infrastructure	3,945,507	-	-	3,945,507
Machinery and equipment	3,031,838	-	-	3,031,838
Vehicles	204,033	-	-	204,033
Total capital assets being depreciated	9,671,492	-	-	9,671,492
Less accumulated depreciation for:				
Buildings	(1,577,735)	(49,528)	-	(1,627,263)
Infrastructure	(1,392,222)	(59,514)	-	(1,451,736)
Machinery and equipment	(2,984,295)	(9,702)	-	(2,993,997)
Vehicles	(188,202)	(3,358)	-	(191,560)
Total accumulated depreciation	(6,142,454)	(122,102)	-	(6,264,556)
Total Sewer capital assets being depreciated, net	3,529,038	(122,102)	-	3,406,936
	Beginning Balance	Increases	Decreases	Ending Balance
<u><i>Business-type Activities: Landfill</i></u>				
Capital assets not being depreciated:				
Land	218,550	-	-	218,550
Total capital assets not being depreciated	218,550	-	-	218,550
Capital assets being depreciated:				
Buildings	594,234	-	-	594,234
Infrastructure	32,000	-	-	32,000
Total capital assets being depreciated	626,234	-	-	626,234
Less accumulated depreciation for:				
Buildings	(480,477)	(2,880)	-	(483,357)
Infrastructure	(4,160)	(640)	-	(4,800)
Total accumulated depreciation	(484,637)	(3,520)	-	(488,157)
Total Landfill capital assets being depreciated, net	141,597	(3,520)	-	138,077
Total Business-type activities - capital assets, net	\$ 3,906,385	\$ (125,622)	\$ -	\$ 3,780,763

Depreciation/amortization was charged to functions/programs as follows:

<u><i>Governmental Activities:</i></u>		<u><i>Business-Type Activities:</i></u>	
General government	\$ 27,158	Sewer	\$ 122,102
Public safety	137,120	Landfill	3,520
Public works	129,855	Total Business-Type Activities	\$ 125,622
Culture and recreation	3,436		
Total Governmental Activities	<u>\$ 297,569</u>		

D. Interfund Receivables, Payables and Transfers

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

Transfers Out	Transfers In					Total
	General Fund	Capital Projects Fund	Nonmajor Funds	Sewer Fund	Landfill Fund	
General Fund	\$ -	\$ 50,000	\$ 33,402	\$ 40,910	\$ 68,649	\$ 192,961 (1)
Nonmajor Governmental Funds	14,999	-	-	-	-	14,999 (2)
Total	\$ 14,999	\$ 50,000	\$ 33,402	\$ 40,910	\$ 68,649	\$ 207,960

- (1) Transfer to capital projects for BAN paydown, nonmajor for fund closeout, sewer for operations and debt payment, and landfill for operations.
(2) Transfers to General Fund to supplement operating budgets.

E. Temporary Debt

The Town is authorized to borrow on a temporary basis to fund the following:

Current Operating Costs – Prior to the collection of revenues, expenditures may be financed through the issuance of revenue or tax anticipation notes (TANS).

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS). In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount and carry maturity dates that are limited by state law. Interest expenditures and expenses for temporary debt are accounted for in the general fund and enterprise funds, respectively. Temporary notes outstanding at June 30, 2023, are payable as follows:

Type	Interest Rate	Maturity Date	Beginning Balance	Additions	Maturities and Deductions	Ending Balance
BAN	0.54%	Matured	\$ 122,900	\$ -	\$ (122,900)	\$ -
BAN	3.50%	08/25/23	-	72,900	-	72,900
BAN	3.75%	08/25/23	-	350,000	-	350,000
Total Governmental Notes			122,900	422,900	(122,900)	422,900
Total Notes Payable			\$ 122,900	\$ 422,900	\$ (122,900)	\$ 422,900

Temporary notes outstanding at year end were issued for the highway backhoe (\$72,900) and ambulance (\$350,000).

F. Long-Term Obligations

Bond and Note Indebtedness – The Town issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes have been issued for both governmental and business-type activities. Additionally, the Town incurs various other long-term obligations relative to associated personnel costs.

State law permits the Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5.0 percent of its equalized valuation. Debt issued in accordance with this section of the law is designated as being “inside the debt limit.” In addition, the Town may

authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being “outside the debt limit”.

The following reflects the activity in the long-term liabilities for the year ended June 30, 2023:

	Beginning Balance	Additions	Deductions	Ending Balance	Due within one year
Governmental Activities:					
Notes from direct borrowings/placements	\$ 1,376,684	\$ -	\$ (32,529)	1,344,155	\$ 33,871
Compensated absences	99,711	-	-	99,711	24,928
Other postemployment benefits	2,093,746	1,873,281	(1,697,892)	2,269,135	-
Net pension liability	4,314,774	1,606,700	(747,911)	5,173,563	-
Total Governmental Activities	<u>\$ 7,884,915</u>	<u>\$ 3,479,981</u>	<u>\$ (2,478,332)</u>	<u>\$ 8,886,564</u>	<u>\$ 58,799</u>
Business-type Activities: Sewer					
Notes from direct borrowings/placements	893,520	-	(23,192)	870,328	23,695
Compensated absences	7,822	-	-	7,822	1,956
Other postemployment benefits	138,717	124,110	(112,490)	150,337	-
Net pension liability	954,535	355,442	(165,456)	1,144,521	-
Total Business-type Activities: Sewer	<u>1,994,594</u>	<u>479,552</u>	<u>(301,138)</u>	<u>2,173,008</u>	<u>25,651</u>
Business-type Activities: Landfill					
Post-landfill disclosure costs	340,000	-	(17,000)	323,000	17,000
Total Business-type Activities: Landfill	<u>340,000</u>	<u>-</u>	<u>(17,000)</u>	<u>323,000</u>	<u>17,000</u>
Total Business-type Activities: All	<u>\$ 2,334,594</u>	<u>\$ 479,552</u>	<u>\$ (318,138)</u>	<u>\$ 2,496,008</u>	<u>\$ 42,651</u>

The governmental activities liabilities will be liquidated by the general fund. The business-type liabilities will be liquidated by the respective business-type funds.

Below is a summary of outstanding long-term debt obligations for the year ended June 30, 2023:

Description of Issue	Interest Rate	Beginning Balance	Additions	Maturities and Deductions	Ending Balance
<u>Governmental Activities:</u>					
USDA Loans	4.13%	\$ 1,376,684	\$ -	\$ (32,529)	\$ 1,344,155
Total Notes from Direct Borrowings and Placements		<u>1,376,684</u>	<u>-</u>	<u>(32,529)</u>	<u>1,344,155</u>
Total Governmental Activities Long-Term Debt Obligations		<u>1,376,684</u>	<u>-</u>	<u>(32,529)</u>	<u>1,344,155</u>
<u>Business-type Activities - Sewer</u>					
USDA Loans	2.00%	893,520	-	(23,192)	870,328
Total Notes from Direct Borrowings and Placements		<u>893,520</u>	<u>-</u>	<u>(23,192)</u>	<u>870,328</u>
Total Business-Type Long-Term Debt Obligations		<u>893,520</u>	<u>-</u>	<u>(23,192)</u>	<u>870,328</u>
Total Long-Term Debt Obligations - All		<u>\$ 2,270,204</u>	<u>\$ -</u>	<u>\$ (55,721)</u>	<u>\$ 2,214,483</u>

Payments on general long-term debt obligations due in future years consist of the following:

<i>Governmental Activities - Total Long-Term Debt Obligations</i>						
Year Ending June 30,	Principal			Interest		
	GO Bonds	Direct	Total	GO Bonds	Direct	Total
2024	\$ -	\$ 33,871	\$ 33,871	\$ -	\$ 55,446	\$ 55,446
2025	-	35,268	35,268	-	54,049	54,049
2026	-	36,723	36,723	-	52,594	52,594
2027	-	38,237	38,237	-	51,080	51,080
2028	-	39,815	39,815	-	49,502	49,502
2029-2033	-	225,106	225,106	-	221,479	221,479
2034-2038	-	275,527	275,527	-	171,059	171,059
2039-2043	-	337,239	337,239	-	109,346	109,346
2044-2047	-	322,369	322,369	-	33,854	33,854
Total	\$ -	\$ 1,344,155	\$ 1,344,155	\$ -	\$ 798,409	\$ 798,409

<i>Business-type Activities: Sewer - Long-Term Debt Obligations</i>						
Year Ending June 30,	Principal			Interest		
	GO Bonds	Direct	Total	GO Bonds	Direct	Total
2024	\$ -	\$ 23,695	\$ 23,695	\$ -	\$ 18,890	\$ 18,890
2025	-	24,210	24,210	-	18,376	18,376
2026	-	24,735	24,735	-	17,850	17,850
2027	-	25,273	25,273	-	17,313	17,313
2028	-	25,822	25,822	-	16,764	16,764
2029-2033	-	137,769	137,769	-	75,162	75,162
2034-2038	-	153,397	153,397	-	59,533	59,533
2039-2043	-	455,427	455,427	-	68,299	68,299
Total	\$ -	\$ 870,328	\$ 870,328	\$ -	\$ 292,187	\$ 292,187

<i>Business-type Activities: Total Long-Term Debt Obligations</i>						
Year Ending June 30,	Principal			Interest		
	GO Bonds	Direct	Total	GO Bonds	Direct	Total
2024	\$ -	\$ 23,695	\$ 23,695	\$ -	\$ 18,890	\$ 18,890
2025	-	24,210	24,210	-	18,376	18,376
2026	-	24,735	24,735	-	17,850	17,850
2027	-	25,273	25,273	-	17,313	17,313
2028	-	25,822	25,822	-	16,764	16,764
2029-2033	-	137,769	137,769	-	75,162	75,162
2034-2038	-	153,397	153,397	-	59,533	59,533
2039-2043	-	455,427	455,427	-	68,299	68,299
Total	\$ -	\$ 870,328	\$ 870,328	\$ -	\$ 292,187	\$ 292,187

Authorized and Unissued Debt – At June 30, 2023, the Town carried authorized and unissued debt as follows:

Project	Amount
Backhoe	\$ 10,000
Total authorized and unissued	\$ 10,000

III. Other Information

A. Retirement System

Plan Description – The Town contributes to the Worcester Regional Retirement System (the “System”), a cost-sharing multiple-employer defined benefit pension plan established under Chapter 32 of the Commonwealth of Massachusetts General Laws (“MGL”) and administered by Worcester Regional Retirement Board (the “Board”). Standalone audited financial statements for the year ended December 31, 2022, were issued and may be obtained by writing to the Board at Worcester Regional Retirement System, 23 Midstate Drive, Auburn, MA 01501.

Membership – Membership in the System as of December 31, 2022, was as follows:

Retirees and beneficiaries currently receiving benefits	4,270
Active plan members	7,561
Inactive plan members	2,197
Total	<u>14,028</u>

Benefit Terms – The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth’s state law during those years are borne by the Commonwealth and are deposited into the pension fund directly. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

Membership in the System is mandatory for all full-time employees and non-seasonal, part-time employees who, in general, regularly work more than twenty hours per week. Members of the System do not participate in the federal Social Security retirement system.

Massachusetts contributory retirement system benefits are uniform, with certain exceptions, from retirement system to retirement system. The System provides for retirement allowance benefits up to a maximum of 80% of a participant’s highest three-year or five-year average annual rate of regular compensation, depending on the participant’s date of hire. Benefit payments are based upon a participant’s age, length of creditable service, level of compensation and group classification.

Contributions Requirements – The System has elected provisions of Chapter 32, Section 22D (as amended) of Massachusetts General Laws, which require that a funding schedule be established to fully fund the pension plan by June 30, 2040 (the System’s current funding schedule allows for full funding by June 30, 2036). Under the provisions of this law, participating employers are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method.

The Town contributed \$499,592 to the System in fiscal year 2023, which equaled the actuarially-determined contribution requirement for the fiscal year.

Net Pension Liability – At June 30, 2023, the Town reported a liability of \$6,318,084 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. These balances were updated by an

independent actuary up to December 31, 2022. There were no material changes to the System’s benefit terms since the actuarial valuation.

The Town’s proportion of the net pension liability is based on a projection of the Town’s long-term share of contributions to the System relative to the projected contributions of all employers. The Town’s proportion was approximately 0.61% on December 31, 2022.

Pension Expense – The Town recognized \$698,366 in pension expense in the statement of activities in fiscal year 2023.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2023, 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	\$ -	\$ 193,350
Net differences between projected and actual investment earnings	426,378	-
Changes of assumptions	334,812	-
Change in allocated proportion	<u>159,412</u>	<u>220,425</u>
Total	<u>\$ 920,602</u>	<u>\$ 413,775</u>

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

Year Ended <u>June 30,</u>	<u>Amount</u>
2024	\$ (1,655)
2025	92,426
2026	168,079
2027	271,723
2028	<u>(23,746)</u>
Total	<u>\$ 506,827</u>

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

Actuarial Valuation – The measurement of the System’s total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2022. The

significant actuarial assumptions used in the January 1, 2022 actuarial valuation updated through the measurement date of December 31, 2022 included:

Actuarial cost method	Entry Age Normal
Amortization method	Increasing dollar amount at 4%. Annual increase in appropriation is further limited to 9.95%
Remaining amortization period	14 years (2036), except for the 2002 and 2003 ERI which are 6 years (2028)
Asset valuation method	Market value adjusted to phase-in investment gains and losses over a 5-year period, further constrained to be within 20% of market value. Investment gains and losses are the excess or deficiency of the expected returns over the actual returns.
Investment rate of return / discount rate	7.25%, net of pension plan investment expense, including inflation
Projected salary increases	Group 1: 4.25 - 6.00%, based on service Group 4: 4.75 - 7.00%, based on service
Inflation rate	2.4% per year
Mortality rates:	
Healthy retiree	RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2020.
Disabled retiree	RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2020, set forward one year.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns 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 allocations and projected arithmetic real rates of return for each major asset class after deducting inflation, but before investment expenses, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global Equity	37%	4.74%
Core Fixed Income	15%	2.10%
Value-Added Fixed Income	8%	5.20%
Private Equity	16%	7.60%
Real Estate	10%	3.10%
Timber/Natural Resources	4%	4.40%
Portfolio Completion Strategies	10%	3.90%
Total	100%	

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

Town Proportionate Share of Net Pension Liability			
Current Rate	1% Decrease	Current	1% Increase
7.25%	\$ 7,709,765	\$ 6,318,084	\$ 5,141,507

B. Risk Financing

The Town is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

C. Other Postemployment Benefits (OPEB)

The Town administers a single employer defined benefit healthcare plan (the “OPEB Plan”). The OPEB Plan provides health and life insurance benefits (other postemployment benefits) to retirees, their dependents/beneficiaries in accordance with Section 20 of Massachusetts General Law Chapter 32B.

The Town, however, has not met all requirements under GASB 74 to present this arrangement as a plan and thus the plan does not qualify as a plan under generally accepted accounting principles. Therefore, GASB 74 does not apply. The following disclosures include only those disclosures required under GASB 75.

Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law and Town ordinance. All benefits are provided through the Town’s premium-based insurance programs, and these include comprehensive medical insurance and life insurance. Pre-65 retirees are provided with HMO Blue Value Plus, and Post 65 retirees have Blue Cross Blue Shield Medex III.

OPEB Plan disclosures that impact the Town’s net OPEB liability using a measurement date of June 30, 2023, are summarized as follows:

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of the actuarial valuation date of July 1, 2022:

Active employees	36
Retirees and beneficiaries	11
Total	<u>47</u>

Contributions – The contribution requirements of OPEB Plan members and the Town are established and may be amended by the Town. For healthcare coverage, retirees contribute 25% or 25% of premiums for medical plans. The remainder of the cost is funded by general revenues of the Town. Member spouses and surviving spouse beneficiaries pay 100% of the premiums.

Net OPEB Liability – The Town’s net OPEB liability was measured as of June 30, 2023, using an actuarial valuation as of July 1, 2022. The components of the net OPEB liability of the Town at June 30, 2023, were as follows:

Total OPEB Liability	\$ 2,419,472
Plan fiduciary net position	<u>-</u>
Net OPEB liability	<u>\$ 2,419,472</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%

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

Single Equivalent Discount Rate	3.65%, net of OPEB plan investment expense, including inflation
Health Care Trend Rate	Health: Non-medicare eligible - 6.00% until June 30, 2026, then fixed at 4.50% Health: Medicare eligible - 4.50% Dental: 5.00% annually
Salary Increases	3.50% annually as of June 30, 2023 and for future periods
Payroll Growth Rate	2.50% annually as of June 30, 2023 and for future periods
Pre-Retirement Mortality	RPH-2014 Total Dataset Headcount-Weighted Fully Generational Mortality Table using Projection Scale MP-2021
Actuarial Cost Method	Individual entry age normal

Key Change in Assumptions – Key assumption changes for fiscal year 2023 included:

Increase in the discount rate from 3.54% to 3.65%

Discount Rate – The discount rate used to measure the total OPEB liability was 3.65% which was based on the Bond Buyer’s 20 Bond Index.

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

Net OPEB Liability - Healthcare Trend Rate			
Current Rate	1% Decrease	Current Trend	1% Increase
6.00% to 4.50%	\$ 1,987,220	\$ 2,419,472	\$ 2,992,036

Net OPEB Liability - Discount Rate			
Current Rate	1% Decrease	Current Discount	1% Increase
3.65%	\$ 2,870,237	\$ 2,419,472	\$ 2,062,494

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2023:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at July 1, 2022	\$ 2,232,463	\$ -	\$ 2,232,463
Changes for the year:			
Service cost	205,108	-	205,108
Interest	85,258	-	85,258
Changes in assumptions	(44,516)	-	(44,516)
Benefit payments	(58,841)	-	(58,841)
Net changes	<u>187,009</u>	<u>-</u>	<u>187,009</u>
Balances at June 30, 2023	<u>\$ 2,419,472</u>	<u>\$ -</u>	<u>\$ 2,419,472</u>

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2023, the Town recognized OPEB expense of \$57,951 and deferred outflows of resources and deferred inflows of resources were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ 1,064,766
Changes of assumptions	<u>119,649</u>	<u>686,775</u>
Totals	<u>\$ 119,649</u>	<u>\$ 1,751,541</u>

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

Year Ended June 30,	Amount
2024	\$ (232,415)
2025	(231,800)
2026	(221,868)
2027	(244,318)
2028	(233,644)
Thereafter	<u>(467,847)</u>
Total	<u>\$ (1,631,892)</u>

D. Commitments and Contingencies

General – The Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability at June 30, 2023, cannot be determined, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town.

Appellate Tax Board – The Town has pending cases filed with the Massachusetts Appellate Tax Board of the Commonwealth of Massachusetts (“ATB”). The Town cannot estimate at this time the amount of previously assessed property taxes (and interest) that may be refunded to these taxpayers, if any.

Furthermore, the Town cannot determine the likelihood of the taxpayers’ success at the ATB. Therefore, no such loss provision has been made in the Town’s basic financial statements.

Grant Compliance – Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The Town expects such amounts, if any, to be immaterial.

Arbitrage – The Town is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties. The Town expects the amount if any, in these situations, to be immaterial.

E. Landfill Closure and Post-Closure Care Costs

The Town’s landfill is closed, and a final cover has been installed in accordance with Federal and State laws and regulations. Those laws and regulations also require the Town to perform certain maintenance and monitoring functions (“post-closure care”) at the site for 30 years after the landfill cover is installed. In accordance with generally accepted accounting principles, the estimated remaining cost of monitoring; \$323,000 has been recorded as a liability; actual costs may be higher due to inflation, changes in technology, or changes in regulations. Debt related to closure activities was issued in the form of bonds and has been presented as bonded debt in the Governmental Funds.

IV. Implementation of New GASB Pronouncements

Current Year Implementations

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement was 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 became effective for financial reporting periods beginning after December 15, 2021 (fiscal year 2023). The adoption of this standard did not have a material impact on the Town’s 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 was to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. The provisions of this Statement became effective for financial

reporting periods beginning after June 15, 2022 (fiscal year 2023). The adoption of this standard did not have a material impact on the Town’s financial statements.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement was 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 became effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The adoption of this standard did not have a material impact on the Town’s financial statements.

Future Implementations –

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, *Compensated 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.

In December 2023, the GASB issued GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2024 (fiscal year 2025). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

V. Restatement

The Town restated beginning net position and fund balances for errors in reporting in the prior year. The following table describes those errors:

	Governmental Activities	Business-type Activities	Storm Remediation Fund	Capital Projects Fund	Nonmajor Fund	Sewer Fund
Net position / fund balance at June 30, 2022 - as reported	8,277,932	3,309,273	-	-	2,118,533	3,159,947
Restate for Sewer pension breakout	1,016,701	(1,016,701)	-	-	-	(1,016,701)
Restate for Sewer OPEB breakout	(126,381)	126,381	-	-	-	126,381
Restate for tax foreclosure elimination	187,568	-	-	-	-	-
Restate for Storm Remediation Fund	-	-	1,093,733	-	(1,093,733)	-
Restate for capital projects	-	-	-	(116,253)	116,253	-
Restate for ARPA deferred revenue	(191,735)	-	-	-	(191,735)	-
Net position / fund balance at June 30, 2022 - as restated	<u>9,164,085</u>	<u>2,418,953</u>	<u>1,093,733</u>	<u>(116,253)</u>	<u>949,318</u>	<u>2,269,627</u>

TOWN OF WARREN, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEARS ENDED JUNE 30, 2023**

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

Year Ended December 31,	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	0.61%	\$ 6,318,084	\$ 1,935,591	326.42%	48.20%
2021	0.63%	5,269,309	1,604,580	328.39%	56.20%
2020	0.60%	5,317,720	1,457,293	364.90%	50.30%
2019	0.60%	5,370,445	1,369,050	392.28%	47.36%
2018	0.64%	5,844,829	1,656,945	352.75%	43.05%
2017	0.65%	5,331,180	1,457,012	365.90%	46.40%
2016	0.59%	4,923,172	1,525,030	322.82%	42.00%
2015	0.59%	4,204,182	1,444,447	291.06%	44.52%
2014	0.57%	3,414,616	1,388,891	245.85%	47.94%

SCHEDULE OF THE TOWN'S CONTRIBUTIONS TO PENSION PLAN

Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	\$ 499,592	\$ 499,592	\$ -	\$ 1,964,625	25.43%
2022	462,757	462,757	-	1,628,649	28.41%
2021	402,654	402,654	-	1,479,152	27.22%
2020	367,357	367,357	-	1,389,586	26.44%
2019	358,868	358,868	-	1,681,799	21.34%
2018	330,813	330,813	-	1,478,867	22.37%
2017	285,511	285,511	-	1,547,905	18.44%
2016	266,452	266,452	-	1,466,114	18.17%
2015	226,768	226,768	-	1,409,724	16.09%

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

See accompanying independent auditors' report.

TOWN OF WARREN, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION - OPEB - UNAUDITED
YEAR ENDED JUNE 30, 2023**

**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS**

	For Year Ended June 30,					
	2023	2022	2021	2020	2019	2018
Total OPEB liability:						
Service cost	\$ 205,108	\$ 287,067	\$ 197,910	\$ 138,578	\$ 218,589	\$ 231,537
Interest	85,258	60,447	73,826	87,923	134,861	120,484
Differences between expected and actual experience	-	(838,577)	-	(731,865)	-	-
Changes in assumptions	(44,516)	(635,088)	29,968	(125,803)	255,901	(182,645)
Benefit payments	(58,841)	(53,364)	(64,343)	(47,704)	(43,666)	(30,760)
Net change in total OPEB liability	187,009	(1,179,515)	237,361	(678,871)	565,685	138,616
Total OPEB liability - beginning of year	2,232,463	3,411,978	3,174,617	3,853,488	3,287,803	3,149,187
Total OPEB liability - end of year	<u>\$ 2,419,472</u>	<u>\$ 2,232,463</u>	<u>\$ 3,411,978</u>	<u>\$ 3,174,617</u>	<u>\$ 3,853,488</u>	<u>\$ 3,287,803</u>
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A
Net OPEB liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A

Note: This schedule is presented to illustrate the requirement to show information for 10 years.
However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

See independent auditors' report.

TOWN OF WARREN, MASSACHUSETTS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - UNAUDITED
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual Budgetary Amounts	Continuing Appropriations and Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
Revenues:						
Property taxes	\$ 8,374,011	\$ 8,374,011	\$ 8,323,854	\$ -	\$ 8,323,854	\$ (50,157)
Intergovernmental	1,162,245	1,162,245	1,119,669	-	1,119,669	(42,576)
Motor vehicle and other excise	613,900	613,900	536,090	-	536,090	(77,810)
Departmental and other revenue	327,894	327,894	453,137	-	453,137	125,243
Licenses and permits	55,000	55,000	133,321	-	133,321	78,321
Penalties and interest	125,000	125,000	92,952	-	92,952	(32,048)
Fines and forfeitures	12,000	12,000	21,947	-	21,947	9,947
Investment income	7,300	7,300	118,111	-	118,111	110,811
Total Revenues	10,677,350	10,677,350	10,799,081	-	10,799,081	121,731
Expenditures:						
General government	1,266,133	1,380,297	1,107,205	143,600	1,250,805	129,492
Public safety	2,437,617	2,388,542	1,971,833	120,674	2,092,507	296,035
Education	4,842,721	4,840,691	4,781,758	1,389	4,783,147	57,544
Public works	961,502	1,019,495	816,988	28,658	845,646	173,849
Health and human services	305,172	326,203	259,810	3,121	262,931	63,272
Culture and recreation	284,352	286,752	265,568	10,904	276,472	10,280
Fringe and pension benefits	1,212,761	1,184,171	1,039,491	-	1,039,491	144,680
State and county tax assessments	15,784	15,784	11,793	-	11,793	3,991
Debt service	91,417	91,417	89,979	-	89,979	1,438
Total Expenditures	11,417,459	11,533,352	10,344,425	\$ 308,346	10,652,771	880,581
Other Financing Sources (Uses):						
Transfers in	198,968	198,968	203,250		203,250	4,282
Transfers out	(547,493)	(1,067,962)	(996,668)		(996,668)	71,294
Total Other Financing Sources (Uses)	(348,525)	(868,994)	(793,418)		(793,418)	75,576
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE						
	(1,088,634)	(1,724,996)	\$ (338,762)		\$ (647,108)	\$ 1,077,888
Other Budgetary Items:						
Prior year encumbrances	688,634	688,634				
Free cash transfers	400,000	1,038,393				
Other budgetary items	-	(2,031)				
Total Other Budgetary Items	1,088,634	1,724,996				
Net Budget	\$ -	\$ -				

See accompanying independent auditors' report.
See notes to the required supplementary information of this schedule.

TOWN OF WARREN, MASSACHUSETTS

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023**

I. Budgetary Basis of Accounting

Budgetary Information – An annual budget is legally adopted for the General Fund and Enterprise Funds. Financial requests are initiated by department heads, recommended by the Warrant Advisory Committee, and approved by the Town members at the Town’s annual meeting in May. Department heads may transfer, without Town meeting approval, appropriation balances from one expenditure account to another within their department or budget. The Town meeting or the Board of Selectmen however must approve any transfer of unencumbered appropriation balances between departments or agencies. At the close of each fiscal year, unencumbered appropriation balances lapse or revert to unreserved fund balance.

The Town adopts an annual budget for the general fund in conformity with the guidelines described above. During fiscal year 2023, Town Meeting did not approve any material supplemental budgetary changes which were funded from free cash and transfers from available funds.

The Town Accountant has the responsibility to ensure that budgetary control is maintained in the manner in which the appropriations were voted at Town Meeting. Budgetary control is exercised through the Town’s accounting system.

Budgetary-to-GAAP Reconciliation – The Town’s general fund is prepared on a basis other than GAAP. A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2023, is as follows:

	<u>Accounting Differences</u>	<u>Fund Perspective Differences</u>	<u>Total</u>
Revenue on a budgetary basis			\$ 10,799,081
Interest earned by stabilization funds	\$ -	\$ 14,814	14,814
Property tax revenue recognition	(3,218)	-	(3,218)
Revenue on a GAAP basis	<u>\$ (3,218)</u>	<u>\$ 14,814</u>	<u>\$ 10,810,677</u>
Expenditures on a budgetary basis			\$ 10,344,425
Indirect cost allocations	\$ -	\$ (188,251)	(188,251)
Expenditures on a GAAP basis	<u>\$ -</u>	<u>\$ (188,251)</u>	<u>\$ 10,156,174</u>
Transfers on a budgetary basis (net)			\$ (793,418)
Stabilization transfers	\$ -	\$ 875,000	875,000
BAN paydown	-	(50,000)	(50,000)
Sewer debt payment	-	(21,293)	(21,293)
Indirect cost allocations	-	(188,251)	(188,251)
Transfers on a GAAP basis (net)	<u>\$ -</u>	<u>\$ 615,456</u>	<u>\$ (177,962)</u>