



TOWN OF MILLIS, MASSACHUSETTS

Financial Statements
For the Year Ended June 30, 2022

(With Independent Auditor's Report Thereon)

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INDEPENDENT AUDITOR'S REPORT

To the Select Board
Town of Millis, Massachusetts

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

The Town's 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

Merrimack, New Hampshire
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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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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



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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2023 on our consideration of the Town’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town’s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Melanson".

Andover, Massachusetts
March 30, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

The Statement of Net Position presents information on all assets, liabilities, and deferred outflows and inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how the Town's net position changed during the most recent 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 that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, education, public works, health and human services, culture and recreation, intergovernmental, and interest on long-term debt. The business-type activities include water, sewer, and stormwater activities.

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund 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 the Town'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 Town's near-term financing decisions. Reconciliations are provided to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. The proprietary fund category includes enterprise funds.

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, and (3) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs such as depreciation or debt service. The primary focus on these criteria is on fees charged to external users. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. Specifically, enterprise funds are used to account for water, sewer, and stormwater operations.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. 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 programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to 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.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

Financial Highlights

- As of the close of the current fiscal year, net position in governmental activities was \$9,438,592, a change of \$416,277, and net position in business-type activities was \$12,513,084, a change of \$182,415.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$11,694,472, a change of \$(804,893) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,048,872, a change of \$780,483 in comparison to the prior year.

Government-Wide Financial Analysis

The following is a summary of condensed government-wide financial data for the current and prior fiscal year.

	NET POSITION (in thousands)					
	Governmental Activities		Business-Type Activities		Total	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Assets						
Current and other assets	\$ 19,495	\$ 15,777	\$ 6,409	\$ 4,015	\$ 25,904	\$ 19,792
Capital assets	<u>91,791</u>	<u>91,930</u>	<u>15,027</u>	<u>14,221</u>	<u>106,818</u>	<u>106,151</u>
Total assets	111,286	107,707	21,436	18,236	132,722	125,943
Deferred Outflows of Resources	14,597	17,078	367	427	14,964	17,505
Liabilities						
Other liabilities	6,559	2,244	3,535	24	10,094	2,268
Long-term liabilities	<u>93,251</u>	<u>108,634</u>	<u>5,337</u>	<u>6,189</u>	<u>98,588</u>	<u>114,823</u>
Total liabilities	99,810	110,878	8,872	6,213	108,682	117,091
Deferred Inflows of Resources	16,634	4,885	418	119	17,052	5,004
Net Position						
Net investment in capital assets	50,060	50,230	10,364	9,880	60,424	60,110
Restricted	4,559	4,212	-	-	4,559	4,212
Unrestricted	<u>(45,180)</u>	<u>(45,420)</u>	<u>2,149</u>	<u>2,451</u>	<u>(43,031)</u>	<u>(42,969)</u>
Total net position	\$ <u>9,439</u>	\$ <u>9,022</u>	\$ <u>12,513</u>	\$ <u>12,331</u>	\$ <u>21,952</u>	\$ <u>21,353</u>

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. At the close of the most recent fiscal year, total net position was \$21,951,676, a change of \$598,692 in comparison to the prior year.

The largest portion of net position \$60,423,605 reflects our investment in capital assets (e.g., land, buildings and improvements, machinery, equipment, furnishings, and vehicles, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$4,558,664 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit of \$(43,030,593) primarily resulting from unfunded pension and OPEB liabilities.

CHANGES IN NET POSITION (in thousands)

	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenues						
Program revenues:						
Charges for services	\$ 4,524	\$ 3,097	\$ 4,143	\$ 4,137	\$ 8,667	\$ 7,234
Operating grants and contributions	13,080	13,902	-	-	13,080	13,902
Capital grants and contributions	364	212	-	-	364	212
General revenues:						
Property taxes	29,261	27,462	-	-	29,261	27,462
Excises	1,917	1,861	-	-	1,917	1,861
Penalties, interest, and other taxes	152	188	-	-	152	188
Investment income (loss)	(26)	58	5	13	(21)	71
Miscellaneous	626	555	-	-	626	555
Total revenues	<u>49,898</u>	<u>47,335</u>	<u>4,148</u>	<u>4,150</u>	<u>54,046</u>	<u>51,485</u>
Expenses						
General government	3,410	3,722	-	-	3,410	3,722
Public safety	6,823	6,795	-	-	6,823	6,795
Education	33,888	33,461	-	-	33,888	33,461
Public works	2,271	2,245	-	-	2,271	2,245
Health and human services	426	377	-	-	426	377
Culture and recreation	938	776	-	-	938	776
Intergovernmental	447	474	-	-	447	474
Interest on long-term debt	1,419	1,534	-	-	1,419	1,534
Water services	-	-	1,935	1,976	1,935	1,976
Sewer services	-	-	1,451	1,436	1,451	1,436
Stormwater services	-	-	439	172	439	172
Total expenses	<u>49,622</u>	<u>49,384</u>	<u>3,825</u>	<u>3,584</u>	<u>53,447</u>	<u>52,968</u>
Change in net position before transfers	276	(2,049)	323	566	599	(1,483)
Transfers in (out)	<u>141</u>	<u>731</u>	<u>(141)</u>	<u>(731)</u>	<u>-</u>	<u>-</u>
Change in net position	417	(1,318)	182	(165)	599	(1,483)
Net position - beginning of year	<u>9,022</u>	<u>10,340</u>	<u>12,331</u>	<u>12,496</u>	<u>21,353</u>	<u>22,836</u>
Net position - end of year	<u>\$ 9,439</u>	<u>\$ 9,022</u>	<u>\$ 12,513</u>	<u>\$ 12,331</u>	<u>\$ 21,952</u>	<u>\$ 21,353</u>

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$416,277. Key elements of this change are as follows:

General Fund change in fund balance	\$ 1,752,609
Decrease in net pension liability expense	1,411,259
Increase in OPEB liability expense	(2,764,833)
Other	<u>17,242</u>
Total	<u>\$ 416,277</u>

Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$182,415. Key elements of this change are as follows:

Water Fund change in net position	\$ 54,293
Sewer Fund change in net position	(98,149)
Nonmajor Stormwater Fund change in net position	<u>226,271</u>
Total	<u>\$ 182,415</u>

Financial Analysis of the Town's Funds

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

General Fund

The General Fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5,048,872 while total fund balance was \$7,626,155. Unassigned fund balance increased by \$780,483 primarily from favorable budgetary results of \$2,870,257, less "Free Cash" of \$885,731 used to supplement the fiscal year 2022 budget, and less "Free Cash" of \$1,186,632 appropriated primarily for fiscal year 2023 capital items and

reduction in the tax rate. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to General Fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/22</u>	<u>6/30/21</u>	<u>Change</u>	<u>% of General Fund Expenditures*</u>
Unassigned fund balance	\$ 5,048,872	\$ 4,268,389	\$ 780,483	13.2%
Total fund balance	\$ 7,626,155	\$ 5,873,546	\$ 1,752,609	19.9%

* Expenditure amounts used to calculate the above percentages have been adjusted to exclude the on-behalf payment from the Commonwealth of Massachusetts to the Massachusetts Teachers Retirement System of \$2,571,059.

The total fund balance of the General Fund changed by \$1,752,609 during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 2,688,338
Expenditures in excess of budget	94,842
Use of fund balance	(1,776,289)
Change in stabilization	(33,187)
Other	<u>778,905</u>
Total	<u>\$ 1,752,609</u>

Included in the total fund balance of the General Fund are the Town's stabilization accounts with the following balances:

	<u>6/30/22</u>	<u>6/30/21</u>	<u>Change</u>
General operating stabilization	\$ 1,819,402	\$ 1,852,596	\$ (33,194)
Stabilization - Oak Grove Farmhouse	<u>2,081</u>	<u>2,074</u>	<u>7</u>
Total	<u>\$ 1,821,483</u>	<u>\$ 1,854,670</u>	<u>\$ (33,187)</u>

ARPA Grant Major Fund

The fund balance of the ARPA Grant major governmental fund changed by \$57,425 primarily resulting from recognition of revenues in the current year to offset expenditures of the current and prior year.

Braun Property Land Acquisition Major Fund

The fund balance of the Braun Property major governmental fund changed by \$(1,000,000) primarily resulting from differences between the expenditures on the project and the permanent financing of the capital project.

Nonmajor Governmental Funds

The fund balance of nonmajor governmental funds changed by \$(1,614,927) primarily from timing differences between the receipt and disbursement of grants and permanent financing of capital projects.

Proprietary Funds

Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$2,149,107 a change of \$(301,537) in comparison to the prior year.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final budget resulted in an overall change in appropriations of \$3,427 funded by free cash for fiscal year 2022 unpaid bills for various departments.

Excise revenue had a favorable variance of \$870,548 and charges for services revenue had a favorable variance of \$460,272, both primarily resulting from cannabis excise and cannabis impact fee revenue that were budgeted conservatively following Department of Revenue guidelines. Licenses and permits also had a favorable variance of \$971,214, primarily due to an increase in building permits.

Capital Assets and Debt Administration

Capital Assets

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$106,817,381 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery, equipment,

furnishings, and vehicles, and infrastructure. Major capital asset events during the current fiscal year included the following:

- \$339,561 for various machinery, equipment, and vehicles purchases.
- \$1,000,000 for land acquisition.
- \$3,369,641 of construction in progress for the DPW Facility project and the D'Angelis Water Treatment Plant improvement project.
- \$(4,043,004) of depreciation expense.

Additional information on capital assets can be found in the Notes to Financial Statements.

Long-Term Debt

At the end of the current fiscal year, total bonds and loans payable, including unamortized bond premiums, was \$45,207,198, all of which was backed by the full faith and credit of the Town.

The Town maintained is Aa3 rating from Moody's for general obligation debt.

Additional information on long-term debt can be found in the Notes to Financial Statements.

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 Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Finance Director
Town of Millis, Massachusetts
900 Main Street
Millis, Massachusetts 02054

TOWN OF MILLIS, MASSACHUSETTS

Statement of Net Position
June 30, 2022

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and short-term investments	\$ 15,735,115	\$ 5,118,903	\$ 20,854,018
Investments	1,790,947	-	1,790,947
Receivables, net of allowance for uncollectibles:			
Property taxes	800,471	-	800,471
Excises	133,689	-	133,689
User fees	-	1,176,531	1,176,531
Departmental and other	279,789	-	279,789
Intergovernmental	40,140	-	40,140
Betterments	-	50,512	50,512
	<u>18,780,151</u>	<u>6,345,946</u>	<u>25,126,097</u>
Total Current Assets	18,780,151	6,345,946	25,126,097
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	637,395	-	637,395
Betterments	-	63,008	63,008
Other noncurrent assets	77,507	-	77,507
Capital assets:			
Nondepreciable capital assets	8,150,886	2,685,776	10,836,662
Other capital assets, net of accumulated depreciation	<u>83,639,698</u>	<u>12,341,021</u>	<u>95,980,719</u>
Total Noncurrent Assets	<u>92,505,486</u>	<u>15,089,805</u>	<u>107,595,291</u>
Total Assets	111,285,637	21,435,751	132,721,388
Deferred Outflows of Resources			
Related to pension	1,475,008	37,046	1,512,054
Related to OPEB	<u>13,121,894</u>	<u>329,869</u>	<u>13,451,763</u>
Total Deferred Outflows of Resources	14,596,902	366,915	14,963,817

(continued)

The accompanying notes are an integral part of these financial statements.

TOWN OF MILLIS, MASSACHUSETTS

Statement of Net Position

June 30, 2022

(continued)	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Liabilities			
Current:			
Accounts payable	\$ 439,408	\$ 500,786	\$ 940,194
Accrued liabilities	968,756	34,024	1,002,780
Unearned revenue	1,909,342	-	1,909,342
Notes payable	2,827,000	3,000,000	5,827,000
Other current liabilities	414,602	-	414,602
Current portion of long-term liabilities:			
Bonds and loans payable	2,513,130	565,000	3,078,130
Landfill liability	11,438	-	11,438
Compensated absences	<u>31,873</u>	<u>-</u>	<u>31,873</u>
Total Current Liabilities	9,115,549	4,099,810	13,215,359
Noncurrent:			
Bonds and loans payable, net of current portion	38,649,068	3,480,000	42,129,068
Net pension liability	9,240,582	232,081	9,472,663
Net OPEB liability	42,150,597	1,059,616	43,210,213
Landfill liability, net of current portion	48,686	-	48,686
Compensated absences, net of current portion	<u>605,590</u>	<u>-</u>	<u>605,590</u>
Total Noncurrent Liabilities	<u>90,694,523</u>	<u>4,771,697</u>	<u>95,466,220</u>
Total Liabilities	99,810,072	8,871,507	108,681,579
Deferred Inflows of Resources			
Related to pension	3,484,119	87,505	3,571,624
Related to OPEB	<u>13,149,756</u>	<u>330,570</u>	<u>13,480,326</u>
Total Deferred Inflows of Resources	16,633,875	418,075	17,051,950
Net Position			
Net investment in capital assets	50,059,628	10,363,977	60,423,605
Restricted for:			
Grants and other statutory restrictions	4,309,702	-	4,309,702
Permanent funds:			
Nonexpendable	196,691	-	196,691
Expendable	52,271	-	52,271
Unrestricted	<u>(45,179,700)</u>	<u>2,149,107</u>	<u>(43,030,593)</u>
Total Net Position	\$ <u>9,438,592</u>	\$ <u>12,513,084</u>	\$ <u>21,951,676</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MILLIS, MASSACHUSETTS

Statement of Activities
For the Year Ended June 30, 2022

	<u>Expenses</u>	Program Revenues			<u>Net (Expenses) Revenues</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities					
General government	\$ 3,410,334	\$ 2,079,196	\$ 1,864,462	\$ -	\$ 533,324
Public safety	6,822,661	1,077,451	404,869	-	(5,340,341)
Education	33,889,262	842,229	10,323,765	-	(22,723,268)
Public works	2,271,175	308,637	331,187	364,011	(1,267,340)
Health and human services	425,825	51,931	130,928	-	(242,966)
Culture and recreation	938,266	164,794	24,692	-	(748,780)
Intergovernmental	447,011	-	-	-	(447,011)
Interest on long-term debt	<u>1,419,017</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,419,017)</u>
Total Governmental Activities	49,623,551	4,524,238	13,079,903	364,011	(31,655,399)
Business-Type Activities					
Water services	1,934,825	2,049,275	-	-	114,450
Sewer services	1,450,681	1,415,562	-	-	(35,119)
Stormwater services	<u>438,912</u>	<u>677,692</u>	<u>-</u>	<u>-</u>	<u>238,780</u>
Total Business-Type Activities	<u>3,824,418</u>	<u>4,142,529</u>	<u>-</u>	<u>-</u>	<u>318,111</u>
Total	<u>\$ 53,447,969</u>	<u>\$ 8,666,767</u>	<u>\$ 13,079,903</u>	<u>\$ 364,011</u>	<u>\$ (31,337,288)</u>

(continued)

The accompanying notes are an integral part of these financial statements.

TOWN OF MILLIS, MASSACHUSETTS

Statement of Activities
For the Year Ended June 30, 2022

(continued)

	Governmental <u>Activities</u>	Business- Type <u>Activities</u>	<u>Total</u>
Change in Net Position:			
Net (expenses) revenue from previous page	\$ (31,655,399)	\$ 318,111	\$ (31,337,288)
General Revenues and Transfers			
Property taxes	29,260,769	-	29,260,769
Excises	1,917,448	-	1,917,448
Penalties, interest, and other taxes	151,850	-	151,850
Investment income (loss)	(25,550)	5,163	(20,387)
Miscellaneous	626,300	-	626,300
Transfers, net	<u>140,859</u>	<u>(140,859)</u>	<u>-</u>
Total general revenues and transfers	<u>32,071,676</u>	<u>(135,696)</u>	<u>31,935,980</u>
 Change in Net Position	 416,277	 182,415	 598,692
Net Position			
Beginning of year	<u>9,022,315</u>	<u>12,330,669</u>	<u>21,352,984</u>
End of year	<u>\$ 9,438,592</u>	<u>\$ 12,513,084</u>	<u>\$ 21,951,676</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MILLIS, MASSACHUSETTS

Governmental Funds
Balance Sheet
June 30, 2022

	General <u>Fund</u>	ARPA Grant <u>Fund</u>	Braun Property Land Acquisition <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Assets					
Cash and short-term investments	\$ 6,556,616	\$ 1,843,766	\$ -	\$ 7,334,733	\$ 15,735,115
Investments	1,790,947	-	-	-	1,790,947
Receivables:					
Property taxes	1,696,037	-	-	4,829	1,700,866
Excises	244,689	-	-	-	244,689
Departmental and other	-	-	-	418,789	418,789
Intergovernmental	-	-	-	40,140	40,140
Total Assets	<u>\$ 10,288,289</u>	<u>\$ 1,843,766</u>	<u>\$ -</u>	<u>\$ 7,798,491</u>	<u>\$ 19,930,546</u>
Liabilities					
Accounts payable	\$ 25,428	\$ -	\$ -	\$ 413,980	\$ 439,408
Accrued liabilities	643,322	-	-	-	643,322
Unearned revenue	-	1,843,766	-	65,576	1,909,342
Notes payable	-	-	1,000,000	1,827,000	2,827,000
Other liabilities	<u>414,602</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>414,602</u>
Total Liabilities	1,083,352	1,843,766	1,000,000	2,306,556	6,233,674
Deferred Inflows of Resources					
Unavailable revenues	1,578,782	-	-	423,618	2,002,400
Fund Balances					
Nonspendable	-	-	-	196,691	196,691
Restricted	712,531	-	-	5,765,062	6,477,593
Committed	1,064,354	-	-	-	1,064,354
Assigned	800,398	-	-	-	800,398
Unassigned	<u>5,048,872</u>	<u>-</u>	<u>(1,000,000)</u>	<u>(893,436)</u>	<u>3,155,436</u>
Total Fund Balances	<u>7,626,155</u>	<u>-</u>	<u>(1,000,000)</u>	<u>5,068,317</u>	<u>11,694,472</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 10,288,289</u>	<u>\$ 1,843,766</u>	<u>\$ -</u>	<u>\$ 7,798,491</u>	<u>\$ 19,930,546</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MILLIS, MASSACHUSETTS

Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
in the Statement of Net Position
June 30, 2022

Total Governmental Fund Balances	\$ 11,694,472
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	91,790,584
Deferred outflows of resources related to pension to be recognized in pension expense in future periods.	1,475,008
Deferred outflows of resources related to OPEB to be recognized in OPEB expense in future periods.	13,121,894
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	2,002,400
In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(325,438)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:	
Bonds and loans payable	(41,162,198)
Net pension liability	(9,240,582)
Net OPEB liability	(42,150,597)
Landfill liability	(60,124)
Compensated absences	(637,463)
Deferred inflows of resources related to pension to be recognized in pension expense in future periods.	(3,484,119)
Deferred inflows of resources related to OPEB to be recognized in OPEB expense in future periods.	(13,149,756)
Other	<u>(435,489)</u>
Net Position of Governmental Activities	<u>\$ 9,438,592</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MILLIS, MASSACHUSETTS

Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2022

	General Fund	ARPA Grant Fund	Braun Property Land Acquisition Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 28,864,894	\$ -	\$ -	\$ 222,204	\$ 29,087,098
Excises	1,900,548	-	-	-	1,900,548
Penalties, interest, and other taxes	151,258	-	-	592	151,850
Charges for services	715,848	-	-	2,514,275	3,230,123
Intergovernmental	8,708,270	156,829	-	4,470,517	13,335,616
Licenses and permits	1,285,013	-	-	-	1,285,013
Fines and forfeitures	4,404	-	-	-	4,404
Investment income (loss)	(29,686)	-	-	4,136	(25,550)
Miscellaneous	363,986	-	-	267,919	631,905
	<u>41,964,535</u>	<u>156,829</u>	<u>-</u>	<u>7,479,643</u>	<u>49,601,007</u>
Expenditures					
Current:					
General government	2,119,655	99,404	-	753,515	2,972,574
Public safety	5,146,691	-	-	867,724	6,014,415
Education	21,058,223	-	-	3,589,109	24,647,332
Public works	1,432,987	-	-	243,874	1,676,861
Health and human services	327,977	-	-	108,935	436,912
Culture and recreation	532,430	-	-	241,133	773,563
Employee benefits	5,988,961	-	-	-	5,988,961
Debt service:					
Principal	2,240,000	-	-	20,000	2,260,000
Interest	1,528,705	-	-	9,950	1,538,655
Intergovernmental	447,011	-	-	-	447,011
Capital outlay	-	-	1,000,000	2,860,283	3,860,283
	<u>40,822,640</u>	<u>99,404</u>	<u>1,000,000</u>	<u>8,694,523</u>	<u>50,616,567</u>
Excess (deficiency) of revenues over expenditures	1,141,895	57,425	(1,000,000)	(1,214,880)	(1,015,560)
Other Financing Sources (Uses)					
Issuance of loans	69,808	-	-	-	69,808
Transfers in	661,666	-	-	120,760	782,426
Transfers out	(120,760)	-	-	(520,807)	(641,567)
	<u>610,714</u>	<u>-</u>	<u>-</u>	<u>(400,047)</u>	<u>210,667</u>
Change in fund balance	1,752,609	57,425	(1,000,000)	(1,614,927)	(804,893)
Fund Balance, at Beginning of Year, as reclassified	<u>5,873,546</u>	<u>(57,425)</u>	<u>-</u>	<u>6,683,244</u>	<u>12,499,365</u>
Fund Balance, at End of Year	\$ <u>7,626,155</u>	\$ <u>-</u>	\$ <u>(1,000,000)</u>	\$ <u>5,068,317</u>	\$ <u>11,694,472</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MILLIS, MASSACHUSETTS

Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2022

Net Changes in Fund Balances - Total Governmental Funds	\$ (804,893)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital outlay purchases	3,398,929
Depreciation	(3,538,931)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position.</p>	
Repayments of general obligation bonds and loans	2,456,471
Issuance of general obligation bonds and loans	(69,808)
Amortization of premium	100,994
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for certain types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net unavailable revenue, net of change in allowance for doubtful accounts.</p>	
	309,665
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds:</p>	
Change in net pension liability and related deferred outflows and inflows	1,411,259
Change in net OPEB liability and related deferred outflows and inflows	(2,764,833)
Change in landfill liability	11,159
Change in compensated absences	7,621
Other differences.	<u>(101,356)</u>
Changes in Net Position of Governmental Activities	\$ <u><u>416,277</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MILLIS, MASSACHUSETTS

Proprietary Funds
Statement of Net Position
June 30, 2022

	Business-Type Activities Enterprise Funds			
	Water Fund	Sewer Fund	Nonmajor Stormwater Fund	Total
Assets				
Current:				
Cash and short-term investments	\$ 3,474,101	\$ 873,230	\$ 771,572	\$ 5,118,903
User fees receivable	656,146	450,798	69,587	1,176,531
Betterments receivable	<u>-</u>	<u>50,512</u>	<u>-</u>	<u>50,512</u>
Total Current Assets	4,130,247	1,374,540	841,159	6,345,946
Noncurrent:				
Betterments receivable	-	63,008	-	63,008
Capital assets:				
Nondepreciable capital assets	2,685,776	-	-	2,685,776
Other capital assets, net of accumulated depreciation	<u>7,508,564</u>	<u>4,832,457</u>	<u>-</u>	<u>12,341,021</u>
Total Noncurrent Assets	<u>10,194,340</u>	<u>4,895,465</u>	<u>-</u>	<u>15,089,805</u>
Total Assets	14,324,587	6,270,005	841,159	21,435,751
Deferred Outflows of Resources				
Related to pension	17,389	15,121	4,536	37,046
Related to OPEB	<u>154,990</u>	<u>135,100</u>	<u>39,779</u>	<u>329,869</u>
Total Deferred Outflows of Resources	172,379	150,221	44,315	366,915
Liabilities				
Current:				
Accounts payable	481,062	1,110	18,614	500,786
Accrued liabilities	28,074	5,950	-	34,024
Notes payable	3,000,000	-	-	3,000,000
Current portion of long-term liabilities:				
Bonds payable	<u>390,000</u>	<u>175,000</u>	<u>-</u>	<u>565,000</u>
Total Current Liabilities	3,899,136	182,060	18,614	4,099,810
Noncurrent:				
Bonds payable, net of current portion	2,770,000	710,000	-	3,480,000
Net pension liability	108,936	94,727	28,418	232,081
Net OPEB liability	<u>497,864</u>	<u>433,972</u>	<u>127,780</u>	<u>1,059,616</u>
Total Noncurrent Liabilities	<u>3,376,800</u>	<u>1,238,699</u>	<u>156,198</u>	<u>4,771,697</u>
Total Liabilities	7,275,936	1,420,759	174,812	8,871,507
Deferred Inflows of Resources				
Related to pension	41,074	35,716	10,715	87,505
Related to OPEB	<u>155,319</u>	<u>135,387</u>	<u>39,864</u>	<u>330,570</u>
Total Deferred Inflows of Resources	<u>196,393</u>	<u>171,103</u>	<u>50,579</u>	<u>418,075</u>
Net Position				
Net investment in capital assets	6,286,186	4,077,791	-	10,363,977
Unrestricted	<u>738,451</u>	<u>750,573</u>	<u>660,083</u>	<u>2,149,107</u>
Total Net Position	<u>\$ 7,024,637</u>	<u>\$ 4,828,364</u>	<u>\$ 660,083</u>	<u>\$ 12,513,084</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MILLIS, MASSACHUSETTS

Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2022

	Business-Type Activities Enterprise Funds			<u>Total</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Nonmajor Stormwater Fund</u>	
Operating Revenues				
Charges for services	\$ 1,980,265	\$ 1,396,799	\$ 674,862	\$ 4,051,926
Other	<u>69,010</u>	<u>18,763</u>	<u>2,830</u>	<u>90,603</u>
Total Operating Revenues	2,049,275	1,415,562	677,692	4,142,529
Operating Expenses				
Salaries and benefits	519,951	255,973	62,766	838,690
Other operating expenses	922,773	895,320	376,146	2,194,239
Depreciation	<u>294,408</u>	<u>209,665</u>	<u>-</u>	<u>504,073</u>
Total Operating Expenses	<u>1,737,132</u>	<u>1,360,958</u>	<u>438,912</u>	<u>3,537,002</u>
Operating Income	312,143	54,604	238,780	605,527
Nonoperating Revenues (Expenses)				
Interest income	4,018	1,145	-	5,163
Investment expense	<u>(197,693)</u>	<u>(89,723)</u>	<u>-</u>	<u>(287,416)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(193,675)</u>	<u>(88,578)</u>	<u>-</u>	<u>(282,253)</u>
Income (Loss) Before Transfers	118,468	(33,974)	238,780	323,274
Transfers out	<u>(64,175)</u>	<u>(64,175)</u>	<u>(12,509)</u>	<u>(140,859)</u>
Change in Net Position	54,293	(98,149)	226,271	182,415
Net Position, Beginning of Year	<u>6,970,344</u>	<u>4,926,513</u>	<u>433,812</u>	<u>12,330,669</u>
Net Position, End of Year	<u>\$ 7,024,637</u>	<u>\$ 4,828,364</u>	<u>\$ 660,083</u>	<u>\$ 12,513,084</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MILLIS, MASSACHUSETTS

Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2022

	Business-Type Activities			Total
	Enterprise Funds	Enterprise Funds	Enterprise Funds	
	Water Fund	Sewer Fund	Nonmajor Stormwater Fund	
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 1,986,711	\$ 1,446,310	\$ 676,245	\$ 4,109,266
Payments to employees	(409,370)	(222,412)	(129,921)	(761,703)
Payments to vendors	<u>(904,844)</u>	<u>(891,293)</u>	<u>(357,616)</u>	<u>(2,153,753)</u>
Net Cash Provided By Operating Activities	672,497	332,605	188,708	1,193,810
Cash Flows From Noncapital Financing Activities				
Transfer out	<u>(64,175)</u>	<u>(64,175)</u>	<u>(12,509)</u>	<u>(140,859)</u>
Net Cash (Used For) Noncapital Financing Activities	(64,175)	(64,175)	(12,509)	(140,859)
Cash Flows From Capital and Related Financing Activities				
Acquisition and construction of capital assets	(839,917)	-	-	(839,917)
Proceeds from short-term notes	3,000,000	-	-	3,000,000
Principal payments on long-term bonds	(395,000)	(175,000)	-	(570,000)
Capital contribution	-	62,762	-	62,762
Interest expense	<u>(197,693)</u>	<u>(89,723)</u>	<u>-</u>	<u>(287,416)</u>
Net Cash Provided By (Used For) Capital and Related Financing Activities	1,567,390	(201,961)	-	1,365,429
Cash Flows From Investing Activities				
Investment income	<u>4,018</u>	<u>1,143</u>	<u>-</u>	<u>5,161</u>
Net Cash Provided By Investing Activities	4,018	1,143	-	5,161
Net Change in Cash and Short-Term Investments	2,179,730	67,612	176,199	2,423,541
Cash and Short-Term Investments, Beginning of Year	<u>1,294,371</u>	<u>805,618</u>	<u>595,373</u>	<u>2,695,362</u>
Cash and Short-Term Investments, End of Year	<u>\$ 3,474,101</u>	<u>\$ 873,230</u>	<u>\$ 771,572</u>	<u>\$ 5,118,903</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income	\$ 312,143	\$ 54,604	\$ 238,780	\$ 605,527
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	294,408	209,665	-	504,073
Changes in assets, liabilities, and deferred outflows/inflows:				
User fees receivable	(62,564)	30,746	(1,447)	(33,265)
Deferred outflows - related to pension	(14,418)	(9,108)	1,476	(22,050)
Deferred outflows - related to OPEB	38,703	33,717	9,970	82,390
Accounts payable	(10,145)	(1,923)	18,530	6,462
Accrued liabilities	28,074	5,952	-	34,026
Net pension liability	56,772	(10,843)	(77,152)	(31,223)
Net OPEB liability	(118,134)	(102,916)	(30,437)	(251,487)
Deferred inflows - related to pension	35,939	25,325	323	61,587
Deferred inflows - related to OPEB	<u>111,719</u>	<u>97,386</u>	<u>28,665</u>	<u>237,770</u>
Net Cash Provided By Operating Activities	<u>\$ 672,497</u>	<u>\$ 332,605</u>	<u>\$ 188,708</u>	<u>\$ 1,193,810</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MILLIS, MASSACHUSETTS

Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2022

	Other Post Employment Benefits <u>Trust Fund</u>	Private Purpose Trust <u>Funds</u>	Custodial <u>Funds</u>
Assets			
Cash	\$ 744	\$ 90,332	\$ 58,350
Investments:			
Corporate equities	121,106	-	-
Fixed income mutual funds	<u>66,087</u>	<u>-</u>	<u>-</u>
Total Investments	<u>187,193</u>	<u>-</u>	<u>-</u>
Total Assets	187,937	90,332	58,350
Liabilities			
Other liabilities	<u>-</u>	<u>-</u>	<u>878</u>
Total Liabilities	-	-	878
Net Position			
Restricted for OPEB	187,937	-	-
Restricted for individuals and organizations	<u>-</u>	<u>90,332</u>	<u>57,472</u>
Total Net Position	<u>\$ 187,937</u>	<u>\$ 90,332</u>	<u>\$ 57,472</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MILLIS, MASSACHUSETTS

Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2022

	Other Post Employment Benefit <u>Trust Fund</u>	Private Purpose <u>Trust Funds</u>	Custodial <u>Funds</u>
Additions			
Contributions	\$ 1,132,058	\$ 7,700	\$ -
Fees collected from students	-	-	64,150
Investment income (loss), net	(34,101)	251	150
Other income	<u>-</u>	<u>-</u>	<u>10,088</u>
Total Additions	1,097,957	7,951	74,388
Deductions			
Payments to beneficiaries	1,132,058	11,600	-
Payments on behalf of students	-	-	76,730
Other payments	<u>-</u>	<u>-</u>	<u>8,875</u>
Total Deductions	<u>1,132,058</u>	<u>11,600</u>	<u>85,605</u>
Change in Net Position	(34,101)	(3,649)	(11,217)
Restricted Net Position			
Beginning of Year	<u>222,038</u>	<u>93,981</u>	<u>68,689</u>
End of Year	\$ <u><u>187,937</u></u>	\$ <u><u>90,332</u></u>	\$ <u><u>57,472</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MILLIS, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Millis, Massachusetts (the Town) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental and financial reporting principles. The following is a summary of the significant policies of the Town:

Reporting Entity

The Town is a municipal corporation governed by an elected Select Board. As required by GAAP, these financial statements present the Town and applicable component units for which the Town is considered to be financially accountable. In fiscal year 2022, it was determined that no entities met the component unit requirements of GASB 14 (as amended).

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures such as debt service, claims and judgments, compensated absences, OPEB, and pension are recorded only when payment is due.

The Town reports the following major governmental funds:

- The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *ARPA Grant Fund* accounts for the receipt and expenditures of the ARPA grant.
- The *Braun Property Land Acquisition Fund* accounts for the purchase of land.

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 liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The

principal operating revenues of enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports the following major proprietary funds:

- *Water Fund*: To account for the operation of the water treatment plant, Town wells, and water system.
- *Sewer Fund*: To account for the operation of a sewer treatment plant, pumping station, and sewer liens.

The fiduciary 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 liabilities are incurred.

The Town reports the following fiduciary funds:

- The *Other Post-Employment Benefit Trust Fund* is used to accumulate resources for health and life insurance benefits for retired employees.
- The *Private-Purpose Trust Funds* are used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefit individuals.
- The *Custodial Funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others and are not required to be reported elsewhere on the financial statements. The Custodial Funds include fees collected on behalf of students.

Cash and Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, money markets, savings accounts, and money market accounts. Generally, a cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the financial statements under the caption "cash and short-term investments".

For purpose of the Statement of Cash Flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

Where applicable, fair values are based on quotations from national securities exchanges, except for certain investments that are required to be presented using net asset value (NAV). The NAV per share is the amount of net assets attributable to each share outstanding at the close of the period. Investments measured at NAV for fair value are not subject to level classification.

Investments are carried at fair value, except certificates of deposit which are reported at cost.

Property Tax Limitations

Legislation known as “Proposition 2½” has limited the amount of revenue that can be derived from property taxes. The prior fiscal year’s tax levy limit is used as a base and cannot increase by more than 2.5% (excluding new growth), unless an override is voted. Certain provisions of Proposition 2 ½ can be overridden by a referendum.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$25,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	30 - 75
Vehicles	5
Machinery, equipment, and furnishings	5

Compensated Absences

It is the Town’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt, net pension liability, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net position”.

Fund Balance

Generally, fund balance represents the difference between current assets/deferred outflows and current liabilities/deferred inflows. The Town has implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions, as follows:

- *Nonspendable* represents amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. This fund balance classification includes nonmajor governmental fund reserves for the principal portion of permanent trust funds.
- *Restricted* represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes the unspent balance of capital projects funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.
- *Committed* represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town’s highest level of decision-making authority. This fund balance classification includes General Fund encumbrances for non-lapsing special article appropriations approved at Town Meeting, General Fund surplus fund balance that has been appropriated as a funding source for a specific purpose, and special purpose stabilization funds.
- *Assigned* represents amounts that are constrained by the Town’s intent to use these resources for a specific purpose. This fund balance classification includes General Fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance

in the subsequent budgetary period and funds reserved by Town management for future debt service payments.

- *Unassigned* represents amounts that are available to be spent in future periods and deficit funds. The General Fund is the only fund that reports a positive unassigned fund balance.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Position

Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on use either through enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net position is reported as unrestricted.

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 revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance, and Accountability

Budgetary Information

At the annual Town Meeting, the Finance Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by Town Meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line-item budget as approved if it is for an emergency and for the safety of the general public.

At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

Deficit Fund Equity

Certain individual funds reflected deficit balances as of June 30, 2022. It is anticipated that the deficits in these funds will be eliminated through future departmental revenues, bond proceeds, and transfers from other funds.

3. Deposits and Investments

Town (Excluding the OPEB Trust Fund)

Massachusetts General Laws (MGL), Chapter 44, Section 55 place certain limitation on the nature of deposits and investments available to the Town. Deposits, including demand deposits, money markets, and certificates of deposits in any one financial institution, may not exceed 60% of the capital and surplus of such institution unless collateralized by the institution involved. Investments may be made in unconditionally guaranteed U.S. government obligations having maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consist of such obligations. Other allowable investments include certificates of deposits having a maturity date of up to 3 years from the date of purchase, national banks, and Massachusetts Municipal Depository Trust (MMDT). MMDT, which is an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts, meets the criteria established by Governmental Accounting Standards Board Statement No. 79. MMDT has an average maturity of less than 1 year and is not rated or subject to custodial credit risk disclosure. MGL Chapter 44, Section 54 provides additional investment options for certain special revenue, trust, and OPEB funds.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Town's deposits may not be returned. The Town does not have formal deposit policies related to the custodial credit risk of deposits.

As of June 30, 2022, none of the Town's bank balance of \$15,890,729 was exposed to custodial credit risk as uninsured and uncollateralized.

Investments

The following is a summary of the Town's investments as of June 30, 2022:

<u>Investment Type</u>	<u>Amount</u>
Corporate bonds	\$ 686,046
Corporate equities	247,261
Federal agency securities	160,600
Fixed income mutual funds	139,975
Market-linked certificates of deposit	117,845
U.S. Treasury notes	<u>439,220</u>
Total investments	<u>\$ 1,790,947</u>

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Town will not be able to recover the value of its investment or collateral securities that are in possession of another party. The Town does not have formal investment policies related to custodial credit risk.

As of June 30, 2022, the Town did not have investments subject to custodial credit risk exposure as all assets were held in the Town's name.

Credit Risk – Investments in Debt Securities

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. The Town does not have formal investment policies related to credit risk.

As of June 30, 2022, the credit quality ratings, as rated by Moody's Investors Service, Inc./S&P Global Ratings/Fitch Ratings, Inc., of the Town's debt securities were as follows (U.S. Treasury notes have an implied rating of AAA):

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>						<u>Not Readily Available</u>	<u>Unrated</u>
		<u>Aaa</u>	<u>A1</u>	<u>A2</u>	<u>Baa1</u>	<u>Baa2</u>			
Corporate bonds	\$ 686,046	\$ -	\$ 81,643	\$ 218,875	\$ 118,458	\$ 267,070	\$ -	\$ -	
Federal agency securities	160,600	160,600	-	-	-	-	-	-	
Fixed income mutual funds	139,975	-	-	-	-	-	139,975	-	
Market-linked certificates of deposit	<u>117,845</u>	-	-	-	-	-	-	<u>117,845</u>	
Total	<u>\$ 1,104,466</u>	<u>\$ 160,600</u>	<u>\$ 81,643</u>	<u>\$ 218,875</u>	<u>\$ 118,458</u>	<u>\$ 267,070</u>	<u>\$ 139,975</u>	<u>\$ 117,845</u>	

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the Town's investment in a single issuer. The Town places no limit on the amount invested in any one issuer. The Town does not have formal investment policies related to concentration of credit risk exposure.

Individual investments exceeding 5% of the Town's total investments were as follows at June 30, 2022:

<u>Investment Issuer</u>	<u>Amount</u>	<u>% of Total Investments</u>
Pfizer Inc Note	\$ 99,693	6%
AT&T Inc Note	<u>100,310</u>	6%
Total	<u>\$ 200,003</u>	

Interest Rate Risk – Investments in Debt Securities

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have formal investment policies limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations was as follows at June 30, 2022:

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>Not Readily Available</u>
Corporate bonds	\$ 686,046	\$ -	\$ 686,046	\$ -
Federal agency securities	160,600	50,014	110,586	-
Fixed income mutual funds	139,975	-	-	139,975
Market-linked certificates of deposit	117,845	49,928	67,917	-
U.S. Treasury notes	<u>439,220</u>	<u>190,320</u>	<u>248,900</u>	<u>-</u>
Total	<u>\$ 1,543,686</u>	<u>\$ 290,262</u>	<u>\$ 1,113,449</u>	<u>\$ 139,975</u>

Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have formal investment policies related to foreign currency risk.

At June 30, 2022, none of the Town's investments were exposed to foreign currency risk.

Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* (GASB 72).

The hierarchy is based on the valuation inputs used to measure the fair value of an asset or liability and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date.
- Level 2 – inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as Level 2.
- Level 3 – unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation.

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

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value Measurements Using:</u>		
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments by fair value level:				
Corporate bonds	\$ 686,046	\$ -	\$ 686,046	\$ -
Corporate equities	247,261	247,261	-	-
Federal agency securities	160,600	-	160,600	-
Fixed income mutual funds	139,975	139,975	-	-
Market-linked certificates of deposit	117,845	-	117,845	-
U.S. Treasury notes	439,220	439,220	-	-
Total	\$ <u>1,790,947</u>	\$ <u>826,456</u>	\$ <u>964,491</u>	\$ <u>-</u>

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the security's relationship to benchmark quote prices. Level 2 debt securities have non-proprietary information that is readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

4. Investments – OPEB Trust Fund

Generally, the OPEB Trust Fund's investment policies mirror that of the Town as discussed in the previous note.

As of June 30, 2022, none of the OPEB Trust Fund's bank balance of \$744 was exposed to custodial credit risk as uninsured and uncollateralized.

The following is a summary of the OPEB Trust Fund's investments as of June 30, 2022:

<u>Investment Type</u>	<u>Amount</u>
Corporate equities	\$ 121,106
Fixed income mutual funds	<u>66,087</u>
Total investments	<u>\$ 187,193</u>

Custodial Credit Risk

As of June 30, 2022, the OPEB Trust Fund did not have investments subject to custodial credit risk exposure as all assets were held in the Town's name.

Credit Risk – Investments in Debt Securities

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. The rating for fixed income mutual funds was not readily available at June 30, 2022.

Concentration of Credit Risk

As of June 30, 2022, the OPEB Trust Fund's individual investments exceeding 5% of the OPEB Trust Fund's total investments were as follows:

<u>Investment Issuer</u>	<u>Amount</u>	<u>% of total Investments</u>
Brown Advisory Sustain Growth Inst	\$ 18,695	10%
Calvert Small Cap CL	10,069	5%
Domini Impact Intl Equity Inst	19,897	11%
Fidelity 500 Index Fund	12,871	7%
Parnassus Core Equity Instl	20,972	11%
Parnassus Mid Cap FD Instl	11,124	6%
Blackrock Systematic Esg Bond	10,348	6%
Calvert Bond Fund Class	13,670	7%
Federated Hermes Adj Rate Fund	9,683	5%
Performance Trust Strategic Bond	<u>11,837</u>	6%
Total	<u>\$ 139,166</u>	

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. This information for fixed income mutual funds was not readily available at June 30, 2022.

Fair Value

The OPEB Trust Fund had the following fair value measurements as of June 30, 2022:

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value Measurements Using:</u>		
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments by fair value level:				
Corporate equities	\$ 121,106	\$ 121,106	\$ -	\$ -
Fixed income mutual funds	<u>66,087</u>	<u>66,087</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 187,193</u>	<u>\$ 187,193</u>	<u>\$ -</u>	<u>\$ -</u>

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the security's relationship to benchmark quote prices. Level 2 debt securities have non-proprietary information that is readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

5. Property Taxes and Excises Receivable

Real and personal property taxes are based on market values assessed as of each January 1. By law, all taxable property must be assessed at 100% of fair cash value. Also by law, property taxes must be levied at least 30 days prior to their due date. Once levied, these taxes are recorded as receivables, net of estimated uncollectible balances. Property tax revenues have been recorded using the accrual and modified accrual basis of accounting in the government-wide and fund basis statements, respectively.

The Town bills and collects its property taxes on a quarterly basis following the January 1 assessment. The due dates for those quarterly tax billings are August 1, November 1, February 1, and May 1. Property taxes that remain unpaid after the respective due dates are subject to penalties and interest charges.

Based on the Town's experience, most property taxes are collected during the year in which they are assessed. Liening of properties on which taxes remain unpaid generally occurs annually. The Town ultimately has the right to foreclose on all properties where the taxes remain unpaid.

A statewide property tax limitation known as "Proposition 2 ½" limits the amount of increase in the property tax levy in any fiscal year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2 ½% of the total assessed value of all taxable property within the Town. Secondly, the tax levy cannot increase by more than 2 ½ % of the prior year's levy plus the taxes on property newly added to the tax rolls. The actual fiscal year 2022 tax levy reflects an excess capacity of \$10,247

Motor vehicle excise taxes are assessed annually for every motor vehicle and trailer registered in the Commonwealth of Massachusetts. The Registry of Motor Vehicles annually calculates the value of all registered motor vehicles for the purpose of excise assessment. The amount of motor vehicle excise tax due is calculated using a fixed rate of \$25 per \$1,000 of value.

Property taxes and excises receivable at June 30, 2022 consisted of the following:

	Gross Amount <u>(fund basis)</u>	Allowance for Doubtful <u>Accounts</u>	Current <u>Portion</u>	Long- Term <u>Portion</u>
Real estate taxes	\$ 889,518	\$ (138,000)	\$ 751,518	\$ -
Personal property taxes	74,692	(52,000)	22,692	-
Community preservation act	4,829	-	4,829	-
Tax liens	<u>731,827</u>	<u>(73,000)</u>	<u>21,432</u>	<u>637,395</u>
Total Property Taxes	<u>\$ 1,700,866</u>	<u>\$ (263,000)</u>	<u>\$ 800,471</u>	<u>\$ 637,395</u>
Motor vehicle excise	<u>\$ 244,689</u>	<u>\$ (111,000)</u>	<u>\$ 133,689</u>	
Total Excises	<u>\$ 244,689</u>	<u>\$ (111,000)</u>	<u>\$ 133,689</u>	
Ambulance	\$ 313,740	\$ (139,000)	\$ 174,740	
Other departmental	<u>105,049</u>	<u>-</u>	<u>105,049</u>	
Total Departmental	<u>\$ 418,789</u>	<u>\$ (139,000)</u>	<u>\$ 279,789</u>	

6. Betterments Receivable

Betterments receivable represent special assessments billed to property owners for sewer infrastructure improvements.

7. Intergovernmental Receivables

This balance represents reimbursements requested from federal and state agencies for expenditures incurred in fiscal year 2022.

8. Interfund Transfers

The Town reports interfund transfers between many of its funds. The sum of all transfers presented in the table below agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements. Interfund transfers made in fiscal year 2022 were as follows:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 661,666	\$ 120,760
Nonmajor Governmental Funds:		
Special Revenue Funds	954	519,865
Capital Project Funds	119,806	609
Trust Funds	<u> -</u>	<u> 333</u>
Subtotal Nonmajor Governmental Funds	120,760	520,807
<u>Business-Type Funds:</u>		
Water Fund	-	64,175
Sewer Fund	-	64,175
Stormwater Fund	<u> -</u>	<u> 12,509</u>
Subtotal Business-Type Funds	<u> -</u>	<u> 140,859</u>
Total	<u>\$ 782,426</u>	<u>\$ 782,426</u>

\$119,806 of the transfers out of the General Fund was transferred to Capital Project Funds for various capital items. Of the transfers into the General Fund, \$408,152 was transferred from the Ambulance Fund for ambulance wages and expenses.

9. Capital Assets

Capital asset activity for the year ended June 30, 2022 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Being Depreciated:				
Buildings and improvements	\$ 84,531	\$ -	\$ -	\$ 84,531
Machinery, equipment, furnishings, and vehicles	11,853	340	-	12,193
Infrastructure	<u>26,256</u>	<u>-</u>	<u>-</u>	<u>26,256</u>
Total Capital Assets, Being Depreciated	122,640	340	-	122,980
Less Accumulated Depreciation For:				
Buildings and improvements	(14,899)	(2,366)	-	(17,265)
Machinery, equipment, furnishings, and vehicles	(8,234)	(652)	-	(8,886)
Infrastructure	<u>(12,668)</u>	<u>(521)</u>	<u>-</u>	<u>(13,189)</u>
Total Accumulated Depreciation	<u>(35,801)</u>	<u>(3,539)</u>	<u>-</u>	<u>(39,340)</u>
Capital Assets, Being Depreciated, Net	86,839	(3,199)	-	83,640
Capital assets, Not Being Depreciated:				
Land	3,402	1,000	-	4,402
Construction in progress	<u>1,690</u>	<u>2,059</u>	<u>-</u>	<u>3,749</u>
Total Capital Assets, Not Being Depreciated	<u>5,092</u>	<u>3,059</u>	<u>-</u>	<u>8,151</u>
Governmental Activities Capital Assets, Net	<u>\$ 91,931</u>	<u>\$ (140)</u>	<u>\$ -</u>	<u>\$ 91,791</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital Assets, Being Depreciated:				
Buildings and Improvements	\$ 3,640	\$ -	\$ -	\$ 3,640
Machinery, Equipment, Furnishings, and Vehicles	2,603	-	-	2,603
Infrastructure	<u>15,926</u>	<u>-</u>	<u>-</u>	<u>15,926</u>
Total Capital Assets, Being Depreciated	22,169	-	-	22,169
Less Accumulated Depreciation For:				
Buildings and Improvements	(1,895)	(70)	-	(1,965)
Machinery, Equipment, Furnishings, and Vehicles	(1,563)	(47)	-	(1,610)
Infrastructure	<u>(5,866)</u>	<u>(387)</u>	<u>-</u>	<u>(6,253)</u>
Total Accumulated Depreciation	<u>(9,324)</u>	<u>(504)</u>	<u>-</u>	<u>(9,828)</u>
Capital Assets, Being Depreciated, Net	12,845	(504)	-	12,341
Capital Assets, Not Being Depreciated:				
Land	1,376	-	-	1,376
Construction in progress	<u>-</u>	<u>1,310</u>	<u>-</u>	<u>1,310</u>
Total Capital Assets, Not Being Depreciated	<u>1,376</u>	<u>1,310</u>	<u>-</u>	<u>2,686</u>
Business-Type Activities Capital Assets, Net	<u>\$ 14,221</u>	<u>\$ 806</u>	<u>\$ -</u>	<u>\$ 15,027</u>

Depreciation expense was charged to functions of the Town as follows (in thousands):

Governmental Activities	
General government	\$ 82
Public safety	925
Education	1,726
Public works	621
Health and human services	11
Culture and recreation	<u>174</u>
Total Governmental Activities	\$ <u>3,539</u>
Business-Type Activities	
Water	\$ 294
Sewer	<u>210</u>
Total Business-Type Activities	\$ <u>504</u>

10. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net assets by the Town that apply to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pension and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

11. Accounts Payable

Accounts payable represents fiscal year 2022 expenditures paid after July 1, 2022.

12. Accrued Liabilities

Accrued liabilities represent fiscal year 2022 salaries, employee withholdings, and accrued interest on bonds payable paid in fiscal year 2023.

13. Unearned Revenue

Unearned revenue represents the receipt of unspent American Rescue Plan Act funds that will be recognized in future years.

14. Notes Payable

The Town had the following short- term notes outstanding at June 30, 2022:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/22</u>
Governmental Funds:				
Veterans Memorial Building HVAC improv	0.44%	09/10/21	09/09/22	\$ 42,000
Auditorium repairs	0.44%	09/10/21	09/09/22	36,000
Varsity baseball field	0.44%	09/10/21	09/09/22	24,000
Bobcat excavator	0.44%	09/10/21	09/09/22	22,430
Fire departmental vehicle	0.44%	09/10/21	09/09/22	20,750
Fuel dispensing system	0.44%	09/10/21	09/09/22	20,000
School bus	0.44%	09/10/21	09/09/22	18,000
Advanced life support equipment	0.44%	09/10/21	09/09/22	16,216
Middle and high school bathroom upgrades	0.44%	09/10/21	09/09/22	16,000
Veterans Memorial Building drainage/HVAC	0.44%	09/10/21	09/09/22	12,060
Advanced life support medications & equipment	0.44%	09/10/21	09/09/22	5,144
Data processing	0.44%	09/10/21	09/09/22	4,400
Clyde Brown Elementary School	0.40%	10/29/21	08/19/22	470,000
Land acquisition	1.00%	08/19/21	08/19/22	1,000,000
Ambulance	2.50%	05/11/22	05/24/23	370,000
Fire engine	2.50%	05/11/22	05/24/23	<u>750,000</u>
Subtotal				2,827,000
Enterprise - Sewer Fund:				
Water treatment plant improvements	2.50%	05/11/22	05/24/23	<u>3,000,000</u>
Subtotal				<u>3,000,000</u>
Total				<u>\$ 5,827,000</u>

The following summarizes activity in notes payable during fiscal year 2022:

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Governmental:				
Veterans Memorial Building HVAC improv	\$ 64,200	\$ 42,000	\$ (64,200)	\$ 42,000
Auditorium repairs	54,000	36,000	(54,000)	36,000
Varsity baseball field	36,000	24,000	(36,000)	24,000
Bobcat excavator	33,753	22,430	(33,753)	22,430
Fire departmental vehicle	31,124	20,750	(31,124)	20,750
Fuel dispensing system	30,000	20,000	(30,000)	20,000
School bus	27,000	18,000	(27,000)	18,000
Advanced life support equipment	24,323	16,216	(24,323)	16,216
Middle and high school bathroom upgrades	24,000	16,000	(24,000)	16,000
Veterans Memorial Building drainage/HVAC	18,090	12,060	(18,090)	12,060
Advanced life support medications &	7,716	5,144	(7,716)	5,144
Data processing	6,600	4,400	(6,600)	4,400
Clyde Brown Elementary School	470,000	470,000	(470,000)	470,000
Land acquisition	-	1,000,000	-	1,000,000
Ambulance	-	370,000	-	370,000
Fire engine	-	750,000	-	750,000
Subtotal	<u>826,806</u>	<u>2,827,000</u>	<u>(826,806)</u>	<u>2,827,000</u>
Enterprise - Water Fund:				
Water treatment plant improvements	<u>-</u>	<u>3,000,000</u>	<u>-</u>	<u>3,000,000</u>
Subtotal	<u>-</u>	<u>3,000,000</u>	<u>-</u>	<u>3,000,000</u>
Total	<u>\$ 826,806</u>	<u>\$ 5,827,000</u>	<u>\$ (826,806)</u>	<u>\$ 5,827,000</u>

15. Long-Term Debt

General Obligation Bonds and Loans

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and other acquisitions. General obligation bonds have been issued for both governmental and business-type activities.

The Town issues loans payable (direct borrowings) to provide funds for the acquisition of equipment for various departments. Loans payable (direct borrowings) have been issued for governmental activities.

General obligation bonds and loans outstanding are as follows:

Governmental Activities	Original	Serial	Interest	Amount
	<u>Issue</u>	<u>Maturities</u>	<u>Rate(s) %</u>	<u>Outstanding</u>
		<u>Through</u>		<u>as of</u>
				<u>6/30/22</u>
General Obligation Bonds:				
Library construction	\$ 5,000,000	02/15/33	3.09%	\$ 2,750,000
Culvert repairs - Main Street	125,000	02/15/23	3.30%	10,000
Public way - Crestview/Klifford	299,042	02/15/26	3.31%	80,000
Police and fire building	9,461,000	08/01/35	2.0 - 5.0%	6,960,000
Additional police and fire	1,183,000	08/01/36	2.0 - 5.0%	880,000
VMB boiler	76,557	08/01/24	2.0 - 5.0%	25,000
VMB restoration/masonry	361,267	08/01/26	2.0 - 5.0%	240,000
Additional library	57,000	08/01/26	2.0 - 5.0%	29,000
Quint fire truck	668,002	08/01/28	2.0 - 5.0%	380,000
DPW vehicles	166,045	08/01/28	2.0 - 5.0%	71,000
Drainage - Acorn Street (refunded)	199,000	08/01/25	2.0 - 5.0%	90,000
Clyde Brown School	24,454,880	10/15/44	5.00%	21,405,000
Clyde Brown School	3,107,000	10/15/44	5.00%	2,855,000
DPW general obligation bond	3,835,000	04/15/46	2.0 - 5.0%	<u>3,680,000</u>
Total General Obligation Bonds				39,455,000
Loans Payable (Direct Borrowing):				
Bus	252,737	7/1/2023	Not Readily Available	50,549
Bus	197,260	7/1/2023	Not Readily Available	39,452
Apple computers	68,825	8/10/2022	1.99%	22,939
Chevy Tahoe	49,217	8/24/2023	Not Readily Available	32,807
Apple computers	69,808	7/1/2023	Not Readily Available	<u>46,539</u>
Total Loan Payable (Direct Borrowing)				<u>192,286</u>
Total Governmental Activities				<u>\$ 39,647,286</u>

Business-Type Activities

	Original <u>Issue</u>	Serial Maturities <u>Through</u>	Interest <u>Rate(s) %</u>	Amount Outstanding as of <u>6/30/22</u>
General Obligation Bonds:				
Water - Forest Rd. mains	\$ 682,000	02/15/33	3.30%	\$ 365,000
Water - Irving St. mains	139,610	02/15/33	3.30%	10,000
Water - System improvement chlorine contact loop	300,600	08/01/23	2.0 - 5.0%	80,000
Water - Storage tank painting	595,465	08/01/24	2.0 - 5.0%	220,000
Water - Ross Ave. improvements	230,000	08/01/35	2.0 - 5.0%	155,000
Water - Well 5 and 6 (refunded)	518,000	08/01/23	2.0 - 5.0%	145,000
Water - Paine well (refunded)	86,500	08/01/23	2.0 - 5.0%	20,000
General obligation bond	1,696,830	11/01/28	5.00%	1,425,000
Water system improvements	833,000	10/15/39	5.00%	740,000
Sewer improvements - Franklin	149,086	02/15/23	3.30%	15,000
Sewer - Water St. pump station	620,500	08/01/35	2.0 - 5.0%	445,000
Sewer improvements - area E (refunded)	748,500	08/01/26	2.0 - 5.0%	375,000
General obligation bond	208,290	11/01/28	5.00%	50,000
Total General Obligation Bonds - Business-Type Activities				\$ <u>4,045,000</u>

Future Debt Service

The annual payments to retire all general obligation bonds and loans outstanding as of June 30, 2022 were as follows:

Governmental Activities

	<u>Bonds</u>		<u>Loans Payable (Direct Borrowing)</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2023	\$ 2,260,000	\$ 1,498,338	\$ 152,136	\$ 2,419	\$ 3,912,893
2024	2,250,000	1,388,337	40,150	1,010	3,679,497
2025	2,240,000	1,278,788	-	-	3,518,788
2026	2,225,000	1,180,589	-	-	3,405,589
2027	2,170,000	1,086,837	-	-	3,256,837
2028	2,145,000	994,986	-	-	3,139,986
2029	2,135,000	900,788	-	-	3,035,788
2030	2,085,000	812,438	-	-	2,897,438
2031	2,085,000	731,613	-	-	2,816,613
2032	2,085,000	657,320	-	-	2,742,320
2033 - 2037	8,820,000	2,314,794	-	-	11,134,794
2038 - 2042	6,105,000	1,055,519	-	-	7,160,519
2043 - 2046	2,850,000	124,200	-	-	2,974,200
Total	\$ <u>39,455,000</u>	\$ <u>14,024,547</u>	\$ <u>192,286</u>	\$ <u>3,429</u>	\$ <u>53,675,262</u>

Business-Type Activities

	<u>Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 565,000	\$ 153,945	\$ 718,945
2024	485,000	128,270	613,270
2025	360,000	107,495	467,495
2026	285,000	92,670	377,670
2027	280,000	80,445	360,445
2028	200,000	69,945	269,945
2029	200,000	61,255	261,255
2030	195,000	52,955	247,955
2031	195,000	45,775	240,775
2032	195,000	39,501	234,501
2033 - 2037	810,000	109,475	919,475
2038 - 2040	<u>275,000</u>	<u>10,600</u>	<u>285,600</u>
Total	<u>\$ 4,045,000</u>	<u>\$ 952,331</u>	<u>\$ 4,997,331</u>

Changes in Long-Term Liabilities

During the year ended June 30, 2022, the following changes occurred in long-term liabilities (in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Less Current Portion</u>	<u>Equals Long-term Portion</u>
Governmental Activities						
Bonds and loans payable:						
General obligation bonds	\$ 41,715	\$ -	\$ (2,260)	\$ 39,455	\$ (2,260)	\$ 37,195
Loan payable (direct borrowings)	319	70	(197)	192	(152)	40
Unamortized bond premium	<u>1,616</u>	<u>-</u>	<u>(101)</u>	<u>1,515</u>	<u>(101)</u>	<u>1,414</u>
Subtotal	43,650	70	(2,558)	41,162	(2,513)	38,649
Net pension liability	12,157	-	(2,916)	9,241	-	9,241
Net OPEB liability	52,111	-	(9,960)	42,151	-	42,151
Landfill liability	71	-	(11)	60	(11)	49
Compensated absences	<u>645</u>	<u>21</u>	<u>(28)</u>	<u>638</u>	<u>(32)</u>	<u>606</u>
Total	<u>\$ 108,634</u>	<u>\$ 91</u>	<u>\$ (15,473)</u>	<u>\$ 93,252</u>	<u>\$ (2,556)</u>	<u>\$ 90,696</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Less Current Portion</u>	<u>Equals Long-term Portion</u>
Business-Type Activities						
Bonds payable	\$ 4,615	\$ -	\$ (570)	\$ 4,045	\$ (565)	\$ 3,480
Net pension liability	263	-	(31)	232	-	232
Net OPEB liability	<u>1,311</u>	<u>-</u>	<u>(251)</u>	<u>1,060</u>	<u>-</u>	<u>1,060</u>
Total	<u>\$ 6,189</u>	<u>\$ -</u>	<u>\$ (852)</u>	<u>\$ 5,337</u>	<u>\$ (565)</u>	<u>\$ 4,772</u>

Long-Term Debt Supporting Governmental and Business-Type Activities

Bonds issued by the Town for various municipal projects, are approved by Town Meeting and repaid with revenues recorded in the General Fund and user fees recorded in enterprise funds. All other long-term debt is repaid from the funds that the cost relates to, primarily the General Fund and Enterprise Funds.

16. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the Town to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure.

The \$60,124 reported as landfill postclosure care liability at June 30, 2022 represents the remaining estimated postclosure maintenance costs. These amounts are based on what it would cost to perform all postclosure care in 2022. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

17. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of net assets by the Town that apply to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB, in accordance with GASB Statements No. 69 and 75, will be recognized as expense in future years and are more fully described in the corresponding pension and OPEB notes. *Unavailable revenues* are reported in the governmental funds Balance Sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

18. Governmental Funds – Fund Balances

The Town's fund balances at June 30, 2022 were as follows:

	General Fund	Bruan Property Land Acquisition Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Permanent funds	\$ -	\$ -	\$ 196,691	\$ 196,691
Total Nonspendable	-	-	196,691	196,691
Restricted				
Debt service	712,531	-	-	712,531
Bonded projects	-	-	1,403,089	1,403,089
Special revenue funds:				
Community preservation	-	-	1,290,702	1,290,702
School choice tuition	-	-	135,186	135,186
Circuit breaker	-	-	221,810	221,810
Ambulance	-	-	794,714	794,714
Cellular antennae lease	-	-	182,628	182,628
School lunch	-	-	173,624	173,624
Other	-	-	1,511,038	1,511,038
Permanent funds	-	-	52,271	52,271
Total Restricted	712,531	-	5,765,062	6,477,593
Committed				
Stabilization - Oak Grove Farmhouse*	2,081	-	-	2,081
Capital budget (fiscal year 2023)	507,284	-	-	507,284
Middle/high school elevator	75,894	-	-	75,894
DPW excavator	50,035	-	-	50,035
Oak Grove Farm playground	124,569	-	-	124,569
Unemployment	88,015	-	-	88,015
Other	216,476	-	-	216,476
Total Committed	1,064,354	-	-	1,064,354
Assigned				
Operating budget (fiscal year 2023)	679,348	-	-	679,348
Other	121,050	-	-	121,050
Total Assigned	800,398	-	-	800,398
Unassigned				
Unassigned	3,229,470	(1,000,000)	(893,436)	1,336,034
General stabilization fund	1,819,402	-	-	1,819,402
Total Unassigned	5,048,872	(1,000,000)	(893,436)	3,155,436
Total Fund Balance	\$ 7,626,155	\$ (1,000,000)	\$ 5,068,317	\$ 11,694,472

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

19. Norfolk County Retirement System

The Town follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to employees’ retirement funds.

Plan Description

Substantially all employees of the Town (except teachers under contract employed by the School Department) are members of the Norfolk County Retirement System (the System), a cost-sharing, multiple-employer, defined benefit, public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System’s annual financial reports publicly available from the System located at Norfolk County Retirement System at 480 Neponset Street, Building 15, Canton, MA 02021.

Participant Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of Massachusetts General Laws. The employee’s individual contribution percentage is determined by their date of entry into the System. In addition, all employees hired on or after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

For those members entering the System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

Participant Retirement Benefits

A retirement allowance consists of two parts: an annuity and a pension. A member’s accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

The System provides for retirement allowance benefits up to a maximum of 80% of a member’s highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest 5-year average annual rate of regular compensation for those first becoming members of the System on or after that date. However, per Chapter 176 of the

Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100%, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

There are four classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other three classes are as follows:

- Group 1 – General employees, including clerical, administrative, technical, and all other employees not otherwise classified.
- Group 2 – Certain specified hazardous duty positions.
- Group 4 – Police officers, firefighters, and other specified hazardous positions.

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the group position for at least 12 months immediately prior to retirement.

Methods of Payment

A member may elect to receive his or her retirement allowance in one of three forms of payment as follows:

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his

or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up" to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The Town's contribution to the System for the year ended June 30, 2022 was \$2,202,128 which was equal to its annual required contribution.

Summary of Significant Accounting Policies

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

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

At June 30, 2022, the Town reported a liability of \$9,472,663 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the Town’s proportion was 2.5703%, which was an increase of 0.1386% from its proportion measured as of June 30, 2021.)

For the year ended June 30, 2022, the Town recognized pension expense of \$897,321. In addition, the Town reported the following deferred outflows and inflows of resources related to pension from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 958,150	\$ -
Net difference between projected and actual earnings on pension plan investments	-	3,504,907
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	<u>553,904</u>	<u>66,717</u>
Total	<u>\$ 1,512,054</u>	<u>\$ 3,571,624</u>

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

Year Ended June 30:	
2023	\$ (60,243)
2024	(881,326)
2025	(485,409)
2026	<u>(632,592)</u>
Total	<u>\$ (2,059,570)</u>

Actuarial Assumptions

The total pension liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

COLA	3.00% of first \$18,000 of retirement income
Salary increases	3.5% - 5.5%
Inflation rate	3.00%
Investment rate of return	7.75%

Mortality rates were based on the RP-2014 Blue Collar Mortality Table adjusted with Scale MP-2014.

Target Allocations

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	30.50%	7.00%
International equity	15.50%	7.70%
Fixed income	20.50%	4.30%
Real estate	9.50%	6.90%
Private equity	10.00%	9.40%
Hedge funds	11.50%	8.60%
Real assets	<u>2.50%</u>	8.90%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term

expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

1% Decrease	Current Discount Rate	1% Increase
<u>(6.75%)</u>	<u>(7.75%)</u>	<u>(8.75%)</u>
\$15,765,443	\$ 9,472,663	\$ 6,736,103

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the System’s separately issued financial report.

20. Massachusetts Teachers’ Retirement System (MTRS)

Plan Description

The Massachusetts Teachers’ Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing, multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth of Massachusetts on behalf of municipal teachers and municipal teacher retirees. The Commonwealth of Massachusetts is a nonemployer contributor and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is part of the Commonwealth of Massachusetts’ reporting entity and does not issue a stand-alone audited financial report.

Management of MTRS is vested in the Massachusetts Teachers’ Retirement Board (MTRB), which consists of seven members—two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves ex-officio as the Chairman of the MTRB.

Benefits Provided

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establish uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member’s highest 3-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last 5 years or any 5 consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member’s age, length of creditable service and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of creditable service or upon reaching the age of 55 with 10 years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

The MTRS’ funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

Contributions

Member contributions for MTRS vary depending on the most recent date of membership:

<u>Membership Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 to 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation in excess of \$30,000

In addition, members who join MTRS on or after April 2, 2012 will have their withholding rates reduced to 8% for those participating in retirement, otherwise the withholdings are reduced to 6% plus 2% on earnings over \$30,000 a year after achieving 30 years of creditable service.

Actuarial Assumptions

The net pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of January 1, 2021 rolled forward to June 30, 2021. This valuation used the following assumptions:

- (a) 7.00% (changed from 7.15%) investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality from 2012-2020.
- Mortality rates were as follows:
 - Pre-retirement – reflects Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
 - Post-retirement – reflects Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
 - Disability – assumed to be in accordance with the Pub-2010 Teachers Retirees Mortality Table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).

Target Allocations

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	39.00%	4.80%
Portfolio completion strategies	11.00%	0.30%
Core fixed income	15.00%	7.80%
Private equity	13.00%	2.90%
Real estate	10.00%	3.70%
Value added fixed income	8.00%	3.90%
Timber/natural resources	4.00%	4.30%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth of Massachusetts’ contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate (amounts in thousands):

1% Decrease to <u>6.00%</u>	Current Discount Rate (<u>7.00%</u>)	1% Increase to <u>8.00%</u>
\$ 29,687,706	\$ 22,706,876	\$ 16,882,184

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarial determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions (GASB 68)* and the Commonwealth is a nonemployer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

Town Proportions

In fiscal year 2021 (the most recent measurement period), the Town’s proportionate share of the MTRS’ collective net pension liability was \$33,389,355 based on a proportionate share of 0.147045%. As required by GASB 68, the Town has recognized its portion of the Commonwealth of Massachusetts’ contribution of \$2,571,059 as both a revenue and expenditure on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and its portion of the collective pension expense of \$2,679,357 as both a revenue and expense on the Statement of Activities.

21. Other Post-Employment Benefits (GASB 74 and GASB 75)

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2014, the Town established

a single employer defined benefit OPEB Trust Fund to provide funding for future employee health care costs. The OPEB Trust Fund does not issue a stand-alone financial report.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All the following OPEB disclosures are based on a measurement date of June 30, 2022.

General Information about the OPEB Plan

Plan Description

The Town provides post-employment healthcare and life insurance benefits for retired employees through the Town’s plan. The Town provides health insurance coverage through the Group Insurance Commission. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of Massachusetts General Laws.

Benefits Provided

The Town provides medical and prescription drug insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

Funding Policy

The Town’s funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute. Additional contributions are based on annual budget limitations/authorizations. There were no additional contributions in fiscal year 2022.

Plan Membership

At June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	187
Active employees	<u>299</u>
Total	<u><u>486</u></u>

Investments

The OPEB trust fund assets consist of corporate equities and fixed income mutual funds.

Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was -15.36%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of July 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5% as of June 30, 2022 and for future periods 3.00% annually as of June 30, 2022 and for future periods
Salary increases	5.62%, net of OPEB plan investment expense including inflation
Investment rate of return	4.09% as of June 30, 2022
Municipal bond rate	4.18%, net of OPEB plan investment expense, including inflation
Discount rate	4.50% for 2022
Healthcare cost trend rates	50% of premiums
Retirees' share of benefit-related costs	80% of employees elect coverage upon retirement
Participation rate	

Mortality rates for pre-retirement were based on RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females. Mortality rates for post-retirement were based on RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females. Mortality rates for disabled were based on RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2022 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity - large cap	28.00%	4.42%
Domestic equity - small/mid cap	15.25%	4.81%
International equity - developed market	10.50%	4.91%
International equity - emerging market	6.25%	5.58%
Domestic fixed income	31.00%	1.00%
International fixed income	5.75%	1.04%
Alternatives	2.75%	5.98%
Real estate	0.00%	6.25%
Cash	<u>0.50%</u>	0.00%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the net OPEB liability was 4.18%, previously 2.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. As a result, a blended discount rate was used based on a combination of the investment rate of return of 5.62% and municipal bond rate of 4.09% (based on S&P Municipal Bond 20-Year High Grade Index SAPIHG as of June 30, 2022).

Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2022, were as follows:

Total OPEB liability	\$ 43,398,150
Plan fiduciary net position	<u>(187,937)</u>
Net OPEB liability	<u>\$ 43,210,213</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.43%

The fiduciary net position has been determined on the same basis used by the OPEB plan. For this purpose, the plan recognizes benefit payments when due and payable.

Changes in the Net OPEB Liability

The following summarizes the changes in the net OPEB liability for the past year:

	Increase (Decrease)		
	Total OPEB Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net OPEB Liability <u>(a) - (b)</u>
Balances, beginning of year	\$ 53,643,914	\$ 222,038	\$ 53,421,876
Changes for the year:			
Service cost	2,373,172	-	2,373,172
Interest	1,386,364	-	1,386,364
Contributions - employer	-	1,132,058	(1,132,058)
Net investment income	-	(34,101)	34,101
Differences between expected and actual experience	-	-	-
Changes in assumptions or other inputs	(12,873,242)	-	(12,873,242)
Benefit payments	<u>(1,132,058)</u>	<u>(1,132,058)</u>	<u>-</u>
Net Changes	<u>(10,245,764)</u>	<u>(34,101)</u>	<u>(10,211,663)</u>
Balances, end of year	<u>\$ 43,398,150</u>	<u>\$ 187,937</u>	<u>\$ 43,210,213</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.50% in 2021 to 4.18% in 2022.

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

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

<u>1% Decrease</u>	Current Discount Rate	<u>1% Increase</u>
\$ 64,535,569	\$ 43,210,213	\$ 44,876,856

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

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it was calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

<u>1% Decrease</u>	Current Healthcare Cost Trend <u>Rates</u>	<u>1% Increase</u>
\$ 43,922,839	\$ 43,210,213	\$ 66,114,243

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

For the year ended June 30, 2022, the Town recognized an OPEB expense of \$3,965,563. At June 30, 2022, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 2,911,257	\$ 1,911,421
Change in assumptions	10,517,721	11,568,905
Net difference between projected and actual OPEB investment earnings	<u>22,785</u>	<u>-</u>
Total	<u>\$ 13,451,763</u>	<u>\$ 13,480,326</u>

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

<u>Year Ended June 30:</u>	
2023	\$ 219,599
2024	411,534
2025	589,742
2026	459,462
2027	(503,245)
Thereafter	<u>(1,205,655)</u>
Total	<u>\$ (28,563)</u>

22. MBTA Paratransit Expenses

The Town participates in an expense reimbursement program provided by the Massachusetts Bay Transportation Authority (MBTA) related to new paratransit service provided in communities currently without paratransit service. The program requires audited financial statement footnote disclosure to document actual costs paid by the community.

The following summarizes payroll expenses paid by the Town during fiscal year 2022 related to the program, and charged to the General Fund Council on Aging appropriation and Council on Aging Transportation Revolving Fund :

<u>Month</u>	<u>Amount</u>
July	\$ 398
August	1,168
September	989
October	668
November	743
December	975
January	539
February	873
March	1,450
April	1,158
May	805
June	<u>948</u>
Total	<u>\$ 10,714</u>

23. Subsequent Events

Management has evaluated subsequent events through March 30, 2023, which is the date the financial statements were available to be issued.

Debt

Subsequent to June 30, 2022 the Town incurred the following additional debt:

	<u>Amount</u>	<u>Rate</u>	<u>Date of issue</u>	<u>Date of Maturity</u>
Bond anticipation note	\$ 1,470,000	2.35%	8/19/2022	8/18/2023

24. Commitments and Contingencies

COVID-19

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on individuals served by the Town, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations remains uncertain.

Outstanding Legal Issues

On an ongoing basis, there are typically pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

Abatements

There are cases pending before the Appellate Tax Board in regard to alleged discrepancies in property assessments. According to the Board of Assessors, the probable outcome of these cases, at the present time, is indeterminable, although the Town expects such amounts, if any, to be immaterial.

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

Encumbrances

At year-end the Town's General Fund had \$121,050 in encumbrances that will be honored in the next fiscal year.

25. Beginning Fund Balance Reclassification

The beginning (July 1, 2021) fund balance of the Town has been reclassified as follows:

Fund Basis Financial Statements:

	ARPA Grant <u>Fund</u>	DPW Facilities <u>Fund</u>	Nonmajor Governmental <u>Funds</u>
As previously reported	\$ -	\$ 2,649,160	\$ 3,976,659
Change in major fund	<u>(57,425)</u>	<u>(2,649,160)</u>	<u>2,706,585</u>
As reclassified	<u>\$ (57,425)</u>	<u>\$ -</u>	<u>\$ 6,683,244</u>

26. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (P3s and APAs), and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs), effective for the Town beginning with its fiscal year June 30, 2023. These statements establish new reporting and disclosure requirements for P3s, APAs, and SBITAs. Management is currently evaluating the impact of implementing these GASB pronouncements.

TOWN OF MILLIS, MASSACHUSETTS

Required Supplementary Information
General Fund

Schedule of Revenues, Expenditures, and Other Sources (Uses) –
For the Year Ended June 30, 2022
(unaudited)

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues				
Property taxes	\$ 28,925,890	\$ 28,925,890	\$ 28,864,894	\$ (60,996)
Excises	1,030,000	1,030,000	1,900,548	870,548
Penalties, interest, and other taxes	57,650	57,650	151,258	93,608
Charges for services	255,576	255,576	715,848	460,272
Intergovernmental	6,135,847	6,135,847	6,137,211	1,364
Licenses and permits	313,799	313,799	1,285,013	971,214
Fines and forfeitures	3,700	3,700	4,404	704
Investment income	3,600	3,600	3,501	(99)
Miscellaneous	12,263	12,263	363,986	351,723
Total Revenues	36,738,325	36,738,325	39,426,663	2,688,338
Expenditures				
General government	2,646,303	2,646,303	2,643,099	3,204
Public safety	5,055,645	5,056,200	5,049,767	6,433
Education	18,253,994	18,253,994	18,247,090	6,904
Public works	1,215,339	1,215,458	1,261,694	(46,236)
Health and human services	350,565	353,318	317,865	35,453
Culture and recreation	546,556	546,556	529,152	17,404
Employee benefits	5,978,896	5,978,896	5,978,246	650
Debt service	3,822,815	3,822,815	3,785,178	37,637
Intergovernmental	480,404	480,404	447,011	33,393
Articles	1,324,372	1,324,372	1,324,372	-
Total Expenditures	39,674,889	39,678,316	39,583,474	94,842
Excess (Deficiency) of Revenues over Expenditures	(2,936,564)	(2,939,991)	(156,811)	2,783,180
Other Financing Sources (Uses)				
Transfers in	1,163,702	1,163,702	1,251,733	88,031
Transfers out	-	-	(954)	(954)
Use of free cash:				
Operating budget	599,336	602,763	602,763	-
Capital budget	708,380	708,380	708,380	-
Use of restricted fund balance	127,147	127,147	127,147	-
Use of prior year fund balance (carryforwards)	337,999	337,999	337,999	-
Total Other Financing Sources (Uses)	2,936,564	2,939,991	3,027,068	87,077
Overall Budgetary Excess	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,870,257</u>	\$ <u>2,870,257</u>

See Independent Auditor's Report and Notes to the Required Supplementary Information.

**Notes to the Required Supplemental Information
for General Fund Budget**

Budgetary Basis

The General Fund final appropriation appearing on the previous page represents the final amended budget after all reserve fund transfers and supplemental appropriations.

Budget/GAAP Reconciliation

The budgetary data for the General Fund is based upon accounting principles that differ from GAAP. Therefore, in addition to the GAAP basis financial statements, the results of operations of the General Fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/(Uses)</u>
GAAP Basis	\$ 41,964,535	\$ 40,822,640	\$ 610,714
Record budgeted use of free cash	-	-	1,311,143
Record budgeted use of restricted fund balance	-	-	127,147
To record use of carryforwards	-	-	337,999
Current year carryforwards and continuing appropriations	-	676,039	-
Reverse effects of combining general fund and stabilization fund (GASB 54)	33,187	-	-
To reverse unbudgeted GASB 24 Massachusetts Teacher Retirement System contributions	(2,571,059)	(2,571,059)	-
Reclassification of transfers	-	709,873	709,873
Other adjustments	-	(54,019)	(69,808)
Budgetary Basis	<u>\$ 39,426,663</u>	<u>\$ 39,583,474</u>	<u>\$ 3,027,068</u>

See Independent Auditor's Report and Notes to the Required Supplementary Information.

TOWN OF MILLIS, MASSACHUSETTS

Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability

(Unaudited)

Norfolk County Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2022	December 31, 2021	2.570300%	\$9,472,663	\$10,311,138	91.87%	79.40%
June 30, 2021	December 31, 2020	2.431700%	\$12,420,019	\$8,630,748	143.90%	70.20%
June 30, 2020	December 31, 2019	2.427700%	\$14,253,350	\$8,338,887	170.93%	64.60%
June 30, 2019	December 31, 2018	2.470100%	\$16,078,879	\$7,548,460	213.01%	58.30%
June 30, 2018	December 31, 2017	2.465000%	\$13,631,557	\$7,293,198	186.91%	63.50%
June 30, 2017	December 31, 2016	2.517100%	\$13,139,831	\$7,263,859	180.89%	61.60%
June 30, 2016	December 31, 2015	2.517064%	\$13,673,007	\$6,886,081	198.56%	58.60%
June 30, 2015	December 31, 2014	2.673889%	\$13,867,460	\$6,536,914	212.14%	60.12%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town</u>	<u>Total Net Pension Liability Associated with the Town</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2022	June 30, 2021	0.147045%	\$ -	\$ 33,389,355	\$ 33,389,355	\$ 11,579,107	288.36%	62.03%
June 30, 2021	June 30, 2020	0.145907%	\$ -	\$ 41,648,847	\$ 41,648,847	\$ 11,184,297	372.39%	50.67%
June 30, 2020	June 30, 2019	0.150581%	\$ -	\$ 37,967,559	\$ 37,967,559	\$ 11,111,427	341.70%	53.95%
June 30, 2019	June 30, 2018	0.148350%	\$ -	\$ 35,175,704	\$ 35,175,704	\$ 10,626,730	331.01%	54.84%
June 30, 2018	June 30, 2017	0.148369%	\$ -	\$ 33,954,875	\$ 33,954,875	\$ 10,159,223	334.23%	54.25%
June 30, 2017	June 30, 2016	0.149593%	\$ -	\$ 33,445,967	\$ 33,445,967	\$ 9,936,074	336.61%	52.73%
June 30, 2016	June 30, 2015	0.152794%	\$ -	\$ 31,306,951	\$ 31,306,951	\$ 9,814,826	318.98%	55.38%
June 30, 2015	June 30, 2014	0.145897%	\$ -	\$ 23,192,239	\$ 23,192,239	\$ 8,945,666	259.26%	61.64%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditor's Report.

TOWN OF MILLIS, MASSACHUSETTS

Required Supplementary Information
Schedule of Pension Contributions

(Unaudited)

Norfolk County Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Actuarially Determined Contribution</u>	<u>Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2022	December 31, 2021	\$ 2,202,128	\$ 2,202,128	\$ -	\$ 12,073,362	18.24%
June 30, 2021	December 31, 2020	\$ 1,947,583	\$ 1,947,583	\$ -	\$ 10,830,802	17.98%
June 30, 2020	December 31, 2019	\$ 1,818,303	\$ 1,818,303	\$ -	\$ 10,129,377	17.95%
June 30, 2019	December 31, 2018	\$ 1,728,057	\$ 1,728,057	\$ -	\$ 9,622,247	17.96%
June 30, 2018	December 31, 2017	\$ 1,577,876	\$ 1,577,876	\$ -	\$ 8,938,256	17.65%
June 30, 2017	December 31, 2016	\$ 1,494,769	\$ 1,494,769	\$ -	\$ 8,446,119	17.70%
June 30, 2016	December 31, 2015	\$ 1,355,413	\$ 1,355,413	\$ -	\$ 8,338,266	16.26%
June 30, 2015	December 31, 2014	\$ 1,293,722	\$ 1,293,722	\$ -	\$ 7,844,645	16.49%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Actuarially Determined Contribution Provided by Commonwealth</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2022	June 30, 2021	\$ 2,571,059	\$ 2,571,059	\$ -	\$ 12,362,154	20.80%
June 30, 2021	June 30, 2020	\$ 2,266,563	\$ 2,266,563	\$ -	\$ 11,579,107	19.57%
June 30, 2020	June 30, 2019	\$ 2,173,955	\$ 2,173,955	\$ -	\$ 11,184,297	19.44%
June 30, 2019	June 30, 2018	\$ 1,950,481	\$ 1,950,481	\$ -	\$ 11,111,427	17.55%
June 30, 2018	June 30, 2017	\$ 1,833,124	\$ 1,833,124	\$ -	\$ 10,626,730	17.25%
June 30, 2017	June 30, 2016	\$ 1,682,301	\$ 1,682,301	\$ -	\$ 10,159,223	16.56%
June 30, 2016	June 30, 2015	\$ 1,561,448	\$ 1,561,448	\$ -	\$ 9,936,074	15.71%
June 30, 2015	June 30, 2014	\$ 1,367,604	\$ 1,367,604	\$ -	\$ 9,814,826	13.93%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditor's Report.

TOWN OF MILLIS, MASSACHUSETTS

Required Supplementary Information
Schedule of Changes in Net OPEB Liability

(Unaudited)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability						
Service cost	\$ 2,373,172	\$ 1,558,617	\$ 1,521,927	\$ 1,407,036	\$ 1,345,204	\$ 1,443,288
Interest	1,386,364	1,130,244	1,134,294	1,067,427	1,268,037	1,049,653
Differences between expected and actual experience	-	4,171,539	(93,029)	(4,978,489)	-	1
Changes of assumptions	(12,873,242)	11,218,320	1,234,858	5,436,859	(2,719,027)	-
Benefit payments, including refunds of member contributions	<u>(1,132,058)</u>	<u>(1,093,893)</u>	<u>(1,028,560)</u>	<u>(952,611)</u>	<u>(899,608)</u>	<u>(856,944)</u>
Net change in total OPEB liability	(10,245,764)	16,984,827	2,769,490	1,980,222	(1,005,394)	1,635,998
Total OPEB liability - beginning	<u>53,643,914</u>	<u>36,659,087</u>	<u>33,889,597</u>	<u>31,909,375</u>	<u>32,914,769</u>	<u>31,278,771</u>
Total OPEB liability - ending (a)	43,398,150	53,643,914	36,659,087	33,889,597	31,909,375	32,914,769
Plan Fiduciary Net Position						
Contributions - employer	1,132,058	1,093,893	1,028,560	1,002,611	899,608	856,944
Net investment income (loss)	(34,101)	44,650	(430)	13,251	5,668	7,573
Benefit payments, including refunds of member contributions	<u>(1,132,058)</u>	<u>(1,093,893)</u>	<u>(1,028,560)</u>	<u>(952,611)</u>	<u>(899,608)</u>	<u>(856,944)</u>
Net change in plan fiduciary net position	(34,101)	44,650	(430)	63,251	5,668	7,573
Plan fiduciary net position - beginning	<u>222,038</u>	<u>177,388</u>	<u>177,818</u>	<u>114,567</u>	<u>108,899</u>	<u>101,326</u>
Plan fiduciary net position - ending (b)	<u>187,937</u>	<u>222,038</u>	<u>177,388</u>	<u>177,818</u>	<u>114,567</u>	<u>108,899</u>
Net OPEB liability - ending (a-b)	<u>\$ 43,210,213</u>	<u>\$ 53,421,876</u>	<u>\$ 36,481,699</u>	<u>\$ 33,711,779</u>	<u>\$ 31,794,808</u>	<u>\$ 32,805,870</u>

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditor's Report.

TOWN OF MILLIS, MASSACHUSETTS

Required Supplementary Information
Schedules of Net OPEB Liability, Contributions, and Investment Returns

(Unaudited)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Net OPEB Liability						
Total OPEB liability	\$ 43,398,150	\$ 53,643,914	\$ 36,659,087	\$ 33,889,597	\$ 31,909,375	\$ 32,914,769
Plan fiduciary net position	<u>187,937</u>	<u>222,038</u>	<u>177,388</u>	<u>177,818</u>	<u>114,567</u>	<u>108,899</u>
Net OPEB liability	<u>\$ 43,210,213</u>	<u>\$ 53,421,876</u>	<u>\$ 36,481,699</u>	<u>\$ 33,711,779</u>	<u>\$ 31,794,808</u>	<u>\$ 32,805,870</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.43%	0.41%	0.48%	0.52%	0.36%	0.33%
Covered employee payroll	\$ 23,926,394	\$ 23,229,509	\$ 22,562,621	\$ 21,905,457	\$ 20,575,755	\$ 19,976,461
Net OPEB liability as a percentage of covered employee payroll	180.60%	229.97%	161.69%	153.90%	154.53%	164.22%
Schedule of Contributions						
Actuarially determined contribution	\$ 4,063,962	\$ 3,216,558	\$ 3,328,985	\$ 3,127,127	\$ 3,064,043	\$ 3,034,070
Contributions in relation to the actuarially determined contribution	<u>1,132,058</u>	<u>1,093,893</u>	<u>1,028,560</u>	<u>1,002,611</u>	<u>899,608</u>	<u>856,944</u>
Contribution deficiency (excess)	<u>\$ 2,931,904</u>	<u>\$ 2,122,665</u>	<u>\$ 2,300,425</u>	<u>\$ 2,124,516</u>	<u>\$ 2,164,435</u>	<u>\$ 2,177,126</u>
Covered employee payroll	\$ 23,926,394	\$ 23,229,509	\$ 22,562,621	\$ 21,905,457	\$ 20,575,755	\$ 19,976,461
Contributions as a percentage of covered employee payroll	4.73%	4.71%	4.56%	4.58%	4.37%	4.29%
Schedule of Investment Returns						
Annual money weighted rate of return, net of investment expense	-15.36%	25.17%	-0.24%	9.25%	5.20%	7.20%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditor's Report.



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

INDEPENDENT AUDITOR'S REPORT

To the Select Board
Town of Millis, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Millis, Massachusetts (the Town), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated March 30, 2023.

Internal Control Over Financial Reporting

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

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

Merrimack, New Hampshire
Andover, Massachusetts
Greenfield, Massachusetts
Ellsworth, Maine



combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

A handwritten signature in black ink that reads "Melanson".

Andover, Massachusetts
March 30, 2023