

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF PAXTON, MASSACHUSETTS

Basic Financial Statements
and
Additional Information

Year Ended June 30, 2023



TOWN OF PAXTON, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

Honorable Select Board
Town of Paxton, Massachusetts

Qualified Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Paxton, Massachusetts, (the "Town") as of and for the year ended June 30, 2023 (except for the Paxton Municipal Light Department, which is as of December 31, 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.

We did not audit the financial statements of Paxton Municipal Light Department, a department of the Town, which represents approximately 71%, 57% and 80%, respectively, of the assets, net position and revenues of the Town's business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for the Paxton Municipal Light Department, is based solely on the report of the other auditors.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, based on our audit and the report of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended (except for the Paxton Municipal Light Department, which is as of and for the year ended December 31, 2022) in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

Management of the Paxton Municipal Light Department, which is audited by other auditors, has reported its December 31, 2022 portion of the net pension liability ("NPL") based on reports provided by the Worcester Regional Retirement System ("WRRS") that are not in compliance with GASB standards. These standards require the NPL be reported using actuarial data that is no more than thirty months and one day old. The WRRS provided NPL information using data from an actuarial valuation dated January 1, 2020. The amount by which this departure would affect the assets, liabilities, fund balance, and revenues of the Paxton Municipal Light Department has not been determined.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits. 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 qualified audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedules listed under the required supplementary information section in the accompanying table of contents be presented to supplement the basic financial statements. Such information 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.

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

Roselli, Clark and Associates
Certified Public Accountants
Woburn, Massachusetts
December 5, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by over \$10.4 million (total net position). This represented a decrease of approximately \$0.4 million from the prior year. Governmental activities reported a decrease in net position of approximately \$0.3 million, while business-type activities reported an approximate \$0.1 million decrease in fiscal year 2023.
- The Town continues to report a deficit in its unrestricted net position. This deficit exceeded \$10.0 million at June 30, 2023. This deficit is due primarily to the recording of liabilities associated with the net OPEB and pension liabilities, which totaled over \$14.2 million at June 30, 2023 in the aggregate. These liabilities are applied to the Town's unrestricted net position and represent actuarial estimates of future postemployment benefits payable by the Town for retiree medical insurance and pensions.
- At the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$4.7 million, which was approximately \$193,000 greater than the prior year. Of the ending fund balance, approximately \$1.2 million is available for spending at the government's discretion as unassigned fund balance. The remainder is earmarked for specific expenditures.
- At the end of the current fiscal year, unassigned fund balance for the general fund was nearly \$1.3 million, which represented approximately 8.3% of total fiscal year 2023 general fund expenditures.
- The Town's total long-term debt decreased approximately \$586,000 in fiscal year 2023 to approximately \$4.1 million at June 30, 2023. The Town did not issue any long-term debt instruments in fiscal year 2023.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, highways and streets, sanitation, education, health and human services, culture and recreation, fringe benefits and debt service. The business-type activities of the Town include electric and water enterprise funds.

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

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

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

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

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

The Town maintains three major individual governmental funds – the general fund, ARPA grant fund and ambulance fund, which is a newly reported major governmental fund in fiscal year 2023. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for these three funds. Data from the other governmental funds are combined into a single, aggregated presentation.

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

Proprietary Funds – Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town utilizes the proprietary funds to report activities of its enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its electric and water activities.

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

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

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

Government-Wide Financial Analysis

The condensed comparative statements of net position for the past two fiscal years are as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>June 30,</u>	<u>June 30,</u>	<u>June 30,</u>	<u>June 30,</u>	<u>June 30,</u>	<u>June 30,</u>
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Assets:						
Current and other assets	\$ 6,752,899	\$ 6,172,332	\$ 6,084,531	\$ 6,892,385	\$ 12,837,430	\$ 13,064,717
Capital assets, net	<u>15,332,670</u>	<u>15,805,053</u>	<u>4,925,006</u>	<u>4,968,330</u>	<u>20,257,676</u>	<u>20,773,383</u>
Total Assets	<u>22,085,569</u>	<u>21,977,385</u>	<u>11,009,537</u>	<u>11,860,715</u>	<u>33,095,106</u>	<u>33,838,100</u>
Deferred Outflows of Resources	<u>1,349,783</u>	<u>1,109,222</u>	<u>878,363</u>	<u>857,953</u>	<u>2,228,146</u>	<u>1,967,175</u>
Liabilities:						
Long-term liabilities	14,941,281	13,620,172	3,326,302	3,787,602	18,267,583	17,407,774
Other liabilities	<u>2,125,751</u>	<u>1,770,837</u>	<u>631,637</u>	<u>603,910</u>	<u>2,757,388</u>	<u>2,374,747</u>
Total Liabilities	<u>17,067,032</u>	<u>15,391,009</u>	<u>3,957,939</u>	<u>4,391,512</u>	<u>21,024,971</u>	<u>19,782,521</u>
Deferred Inflows of Resources	<u>429,211</u>	<u>1,437,260</u>	<u>3,421,886</u>	<u>3,708,702</u>	<u>3,851,097</u>	<u>5,145,962</u>
Net Position:						
Net investment in capital assets	12,134,312	12,028,324	3,969,161	3,938,982	16,103,473	15,967,306
Restricted	3,432,393	3,217,744	940,079	1,023,313	4,372,472	4,241,057
Unrestricted	<u>(9,627,596)</u>	<u>(8,987,730)</u>	<u>(401,165)</u>	<u>(343,841)</u>	<u>(10,028,761)</u>	<u>(9,331,571)</u>
Total Net Position	<u>\$ 5,939,109</u>	<u>\$ 6,258,338</u>	<u>\$ 4,508,075</u>	<u>\$ 4,618,454</u>	<u>\$ 10,447,184</u>	<u>\$ 10,876,792</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's total net position decreased over \$0.4 million in fiscal year 2023.

The largest portion (approximately \$16.1 million) of the Town's overall net position reflects its investment in capital assets less any related debt (netted down by those amounts expected to be reimbursed by the Commonwealth) used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional significant portion of the Town's total net position (approximately \$4.4 million) represents resources that are subject to restrictions on how they may be used.

The remaining category represents unrestricted net position, which currently has a deficit balance of approximately \$10.0 million. The Town reports deficits in unrestricted net position in both its governmental and business-type activities. These deficits are due primarily to the recording of long-term liabilities associated with net pension and net OPEB liabilities. At June 30, 2023, the Town reported long-term liabilities of approximately \$11.9 million in its governmental activities and \$2.3 million in its business-type activities related to net pension and net OPEB liabilities. The Town expects to continue reporting deficits in its governmental activities unrestricted net position for the foreseeable future.

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

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 2,400,524	\$ 2,265,228	\$ 5,234,806	\$ 4,567,509	\$ 7,635,330	\$ 6,832,737
Operating grants and contributions	788,305	1,012,099	6,419	3,780	794,724	1,015,879
Capital grants and contributions	162,302	366,459	-	-	162,302	366,459
General revenues:						
Property taxes	12,375,794	11,980,772	-	-	12,375,794	11,980,772
Excise taxes	747,697	775,872	-	-	747,697	775,872
Intergovernmental	626,844	602,283	-	-	626,844	602,283
Other	92,523	(13,387)	(178,506)	(30,904)	(85,983)	(44,291)
Total Revenues	17,193,989	16,989,326	5,062,719	4,540,385	22,256,708	21,529,711
Expenses:						
General government	1,434,504	1,356,414	-	-	1,434,504	1,356,414
Public safety	4,970,387	3,768,119	-	-	4,970,387	3,768,119
Education	7,911,532	7,727,675	-	-	7,911,532	7,727,675
Public works	2,272,515	1,560,472	-	-	2,272,515	1,560,472
Health and human services	204,586	258,204	-	-	204,586	258,204
Culture and recreation	542,828	403,514	-	-	542,828	403,514
Interest expense	157,490	178,725	-	-	157,490	178,725
Utility services	-	-	5,192,474	4,760,084	5,192,474	4,760,084
Total Expenses	17,493,842	15,253,123	5,192,474	4,760,084	22,686,316	20,013,207
Change in Net Position Before Transfers	(299,853)	1,736,203	(129,755)	(219,699)	(429,608)	1,516,504
Transfers	(19,376)	-	19,376	-	-	-
Change in Net Position	(319,229)	1,736,203	(110,379)	(219,699)	(429,608)	1,516,504
Net Position:						
Beginning of year	6,258,338	4,522,135	4,618,454	4,838,153	10,876,792	9,360,288
End of year	\$ 5,939,109	\$ 6,258,338	\$ 4,508,075	\$ 4,618,454	\$ 10,447,184	\$ 10,876,792

Governmental Activities – Total revenues in fiscal year 2023 increased approximately \$205,000 from the prior fiscal year. Increases in revenues from property taxes, charges for services and other revenues (primarily interest income) exceeded decreases in both operating and capital grants and contributions in fiscal year 2023.

The Town's largest revenue source is property taxes, which represented approximately 72% and 71% of fiscal year 2023 and 2022 total revenues, respectively. Charges for services represented approximately 14% and 13% of total fiscal year 2023 and 2022 revenues, respectively. No other revenue sources were greater than 10% of total revenues in fiscal year 2023 or 2022.

Total expenses increased over \$2.2 million in fiscal year 2023. This increase was due primarily to higher noncash personnel benefit expenses related to the Town's pension and OPEB plans, which increased nearly \$1.6 million year-over-year.

Education represents the largest expense category for the Town and is primarily provided through the Wachusett Regional School District. In total, education expenses represented approximately 45% and 51% of total fiscal year 2023 and 2022 expenses, respectively. Public safety expenses represented approximately 28% and 25% of fiscal year 2023 and 2022 total expenses, respectively. Public works expenses represented approximately 13% and 10% of total fiscal year 2023 and 2022 expenses. No other expense types were greater than 10% of total expenses in fiscal year 2023 or 2022.

Business-Type Activities – Total revenues in business-type activities increased over \$0.5 million year-over-year. User charges for electric and water services represent the majority of the revenue reported during fiscal year 2023 and 2022 in the Town’s business-type activities. Expenses increased over \$0.4 million year-over-year.

Government Funds Financial Analysis

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

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

As of the close of the current fiscal year, the Town’s governmental funds balance sheet reported a combined ending fund balance of approximately \$4.7 million, which was nearly \$193,000 greater than the prior fiscal year. Of the ending fund balance, over \$1.2 million is available for spending at the government’s discretion as unassigned fund balance. The remainder is earmarked for specific expenditures.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was approximately \$1.3 million, while total general fund balance exceeded \$2.0 million. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance at year end represents approximately 8.3% of total fiscal year 2023 general fund expenditures, while total fund balance represents approximately 13.3% of that same amount.

The Town began reporting its ARPA grant fund as a major governmental fund in fiscal year 2022. Unexpended funds, which totaled over \$0.8 million, are reported as unearned revenues at June 30, 2023.

The Town began reporting its ambulance fund as a major governmental fund in fiscal year 2023. The ambulance fund reported an increase in its fund balance of over \$184,000 in fiscal year 2023 as collections outpaced budgeted transfers into the Town’s general fund.

The Town’s aggregate nonmajor governmental funds include the Town’s special revenue funds, capital project funds and trust funds. The Town reported a fund balance of nearly \$2.0 million in its nonmajor governmental funds at June 30, 2023, which is over \$89,000 greater than the prior year.

Proprietary Funds – The Town’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the year, net position of the electric fund was approximately \$2.6 million and net position of the water fund was approximately \$1.9 million.

Fiduciary Fund – The Town’s fiduciary fund is comprised of the PMLD’s OPEB trust.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were not significant. A reconciliation of these differences is found in the required supplementary information.

Capital Asset and Debt Administration

Capital Assets – The Town’s investment in capital assets for its governmental and business-type activities as of June 30, 2023 totaled approximately \$20.3 million, net of accumulated depreciation. This investment in capital assets includes land, buildings and system improvements, machinery and equipment and reflects a decrease of approximately \$516,000. This decrease was a result of current year depreciation expense exceeding capital additions.

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

Long-Term Debt – The Town’s total long-term debt decreased approximately \$586,000 in fiscal year 2023 to approximately \$4.1 million at June 30, 2023. The Town did not issue any long-term debt instruments in fiscal year 2023.

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

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

Economic Factors and Next Year’s Budget

- Net state aid for fiscal year 2024 is expected to increase to approximately \$774,000.
- The Town enters fiscal year 2024 with approximately \$539,000 in certified free cash and nearly \$521,000 in general and capital stabilization funds.
- The Town’s real estate tax base is made up predominantly of residential taxes, which in 2024 are over 96% of the entire property tax levy. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town’s ability to increase taxes in any one year by more than 2 ½% of the previous year’s tax levy. The Town typically taxes at or near its levy limit annually.

The above items were considered when the Town accepted its budget for fiscal year 2024 at the June 2023 Town Meeting. The Town set its fiscal year 2024 tax rate on November 29, 2023.

Requests for Information

This financial report is designed to provide a general overview of the Town’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Town Administrator, Town Hall, 697 Pleasant Street, Paxton, Massachusetts 01612.

TOWN OF PAXTON, MASSACHUSETTS

STATEMENT OF NET POSITION JUNE 30, 2023

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 4,748,968	\$ 4,167,038	\$ 8,916,006
Investments	1,180,539	1,078,259	2,258,798
Receivables, net of allowances:			
Property taxes	171,242	-	171,242
Excise taxes	49,153	-	49,153
Departmental, user charges and other	541,137	514,229	1,055,366
Intergovernmental	61,860	-	61,860
Prepaid items	-	188,700	188,700
Inventories	-	136,305	136,305
Land	2,673,115	641,719	3,314,834
Construction in-progress	-	178,434	178,434
Depreciable capital assets, net	12,659,555	4,104,853	16,764,408
Total Assets	22,085,569	11,009,537	33,095,106
Deferred Outflows of Resources:			
Other postemployment benefits	-	202,867	202,867
Pensions	1,349,783	675,496	2,025,279
Total Deferred Outflows of Resources	1,349,783	878,363	2,228,146

(continued)

TOWN OF PAXTON, MASSACHUSETTS

STATEMENT OF NET POSITION JUNE 30, 2023

	Governmental Activities	Business-Type Activities	Total
Liabilities:			
Warrants and accounts payable	\$ 514,147	\$ 521,334	\$ 1,035,481
Customer deposits	-	30,500	30,500
Unearned revenues	839,018	-	839,018
Deposits and escrows	114,037	-	114,037
Accrued interest	68,900	8,762	77,662
Noncurrent liabilities:			
Due within one year	589,649	71,041	660,690
Due in more than one year	14,941,281	3,326,302	18,267,583
Total Liabilities	<u>17,067,032</u>	<u>3,957,939</u>	<u>21,024,971</u>
Deferred Inflows of Resources:			
Electric department items	-	2,658,969	2,658,969
Other postemployment benefits	-	139,604	139,604
Pensions	429,211	623,313	1,052,524
Total Deferred Inflows of Resources	<u>429,211</u>	<u>3,421,886</u>	<u>3,851,097</u>
Net Position:			
Net investment in capital assets	12,134,312	3,969,161	16,103,473
Restricted for:			
Nonexpendable permanent funds	408,804	-	408,804
Expendable permanent funds	212,333	-	212,333
Revolving funds	1,522,306	-	1,522,306
Depreciation	-	940,079	940,079
Other purposes	1,288,950	-	1,288,950
Unrestricted	<u>(9,627,596)</u>	<u>(401,165)</u>	<u>(10,028,761)</u>
Total Net Position	<u>\$ 5,939,109</u>	<u>\$ 4,508,075</u>	<u>\$ 10,447,184</u> <i>(concluded)</i>

See accompanying notes to basic financial statements.

TOWN OF PAXTON, MASSACHUSETTS

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 1,434,504	\$ 225,324	\$ 545,531	\$ -	\$ (663,649)		\$ (663,649)
Public safety	4,970,387	1,506,138	121,381	-	(3,342,868)		(3,342,868)
Education	7,911,532	-	10,911	-	(7,900,621)		(7,900,621)
Public works	2,272,515	433,339	19,600	162,302	(1,657,274)		(1,657,274)
Health and human services	204,586	30,431	35,014	-	(139,141)		(139,141)
Culture and recreation	542,828	205,292	55,868	-	(281,668)		(281,668)
Interest expense	157,490	-	-	-	(157,490)		(157,490)
Total Governmental Activities	17,493,842	2,400,524	788,305	162,302	(14,142,711)		(14,142,711)
Business-Type Activities:							
Electric	3,958,693	4,164,202	6,419	-		\$ 211,928	211,928
Water	1,233,781	1,070,604	-	-		(163,177)	(163,177)
Total Business-Type Activities	5,192,474	5,234,806	6,419	-		48,751	48,751
Total Primary Government	\$ 22,686,316	\$ 7,635,330	\$ 794,724	\$ 162,302		48,751	(14,093,960)
General Revenues:							
Property taxes					12,375,794	-	12,375,794
Motor vehicle and other excise taxes					747,697	-	747,697
Grants and contributions not restricted to to specific programs					626,844	-	626,844
Penalties and interest on taxes					27,237	-	27,237
Unrestricted investment income					65,286	(178,506)	(113,220)
Transfers, net					(19,376)	19,376	-
Total General Revenues and Transfers					13,823,482	(159,130)	13,664,352
Change in Net Position					(319,229)	(110,379)	(429,608)
Net Position:							
Beginning of year					6,258,338	4,618,454	10,876,792
End of year					\$ 5,939,109	\$ 4,508,075	\$ 10,447,184

See accompanying notes to basic financial statements.

TOWN OF PAXTON, MASSACHUSETTS

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2023**

	General Fund	ARPA Grant Fund	Ambulance Fund	Nonmajor Governmental Funds	Total
Assets:					
Cash and cash equivalents	\$ 2,048,066	\$ 849,685	\$ 690,188	\$ 1,161,029	\$ 4,748,968
Investments	520,820	-	-	659,719	1,180,539
Receivables, net of allowances:					
Property taxes	171,242	-	-	-	171,242
Excise taxes	49,153	-	-	-	49,153
Departmental, user charges and other	27,592	-	212,893	300,652	541,137
Intergovernmental	-	-	-	61,860	61,860
Total Assets	2,816,873	849,685	903,081	2,183,260	6,752,899
Total Deferred Outflows of Resources	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 2,816,873	\$ 849,685	\$ 903,081	\$ 2,183,260	\$ 6,752,899
Liabilities:					
Warrants and accounts payable	\$ 465,801	\$ 10,667	\$ -	\$ 37,679	\$ 514,147
Unearned revenues	-	839,018	-	-	839,018
Deposits and escrows	114,037	-	-	-	114,037
Total Liabilities	579,838	849,685	-	37,679	1,467,202
Deferred Inflows of Resources:					
Unavailable revenues - property taxes	158,675	-	-	-	158,675
Unavailable revenues - excise taxes	49,153	-	-	-	49,153
Unavailable revenues - departmental and other	27,592	-	212,893	154,669	395,154
Total Deferred Inflows of Resources	235,420	-	212,893	154,669	602,982
Fund Balances:					
Nonspendable	-	-	-	408,804	408,804
Restricted	210	-	690,188	1,598,520	2,288,918
Committed	183,310	-	-	-	183,310
Assigned	567,773	-	-	-	567,773
Unassigned	1,250,322	-	-	(16,412)	1,233,910
Total Fund Balances	2,001,615	-	690,188	1,990,912	4,682,715
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,816,873	\$ 849,685	\$ 903,081	\$ 2,183,260	\$ 6,752,899

See accompanying notes to basic financial statements.

TOWN OF PAXTON, MASSACHUSETTS

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

Total Governmental Fund Balances		\$	4,682,715
Capital assets used in governmental activities in the statement of net position are not financial resources and, therefore, are not reported in the funds.			15,332,670
Certain receivables and revenues are deferred in the governmental funds as they are not current financial resources. These revenues are accrued under the economic resources basis of accounting.			602,982
Deferred outflows and inflows of resources to be recognized in future expense are not available resources and, therefore, are not reported in the funds:			
Deferred outflows of resources - pensions	1,349,783		
Deferred inflows of resources - pensions	<u>(429,211)</u>		
Net effect of reporting deferred outflows and inflows of resources			920,572
Interest is accrued on outstanding long-term debt in the statement of net position but not in the funds until due.			(68,900)
Long-term liabilities not currently due and payable are reported in the statement of net position and not in the funds:			
Net other postemployment benefits liability	(2,122,718)		
Net pension liability	(9,822,676)		
Compensated absences	(155,468)		
Lease liabilities	(244,068)		
Bonds and notes payable	<u>(3,186,000)</u>		
Net effect of reporting long-term liabilities			<u>(15,530,930)</u>
Net Position — Governmental Activities		\$	<u>5,939,109</u>

See accompanying notes to basic financial statements.

TOWN OF PAXTON, MASSACHUSETTS

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

	General Fund	ARPA Grant Fund	Ambulance Fund	Nonmajor Governmental Funds	Total
Revenues:					
Property taxes, net of tax refunds	\$ 12,376,189	\$ -	\$ -	\$ -	\$ 12,376,189
Intergovernmental	776,579	300,326	-	427,369	1,504,274
Motor vehicle and other excise taxes	786,600	-	-	-	786,600
Licenses and permits	95,336	-	-	-	95,336
Penalties and interest on taxes	27,237	-	-	-	27,237
Fines and forfeitures	14,994	-	-	-	14,994
Departmental and other revenues	570,114	-	494,268	1,170,226	2,234,608
Contributions and donations	-	-	-	73,177	73,177
Investment income	35,289	265	-	29,732	65,286
Total Revenues	<u>14,682,338</u>	<u>300,591</u>	<u>494,268</u>	<u>1,700,504</u>	<u>17,177,701</u>
Expenditures:					
Current:					
General government	1,052,013	1,400	-	128,659	1,182,072
Public safety	2,436,768	1,187	-	1,104,044	3,541,999
Education	7,660,653	-	-	-	7,660,653
Public works	1,577,072	244,334	-	180,462	2,001,868
Health and human services	88,303	33,049	-	21,829	143,181
Culture and recreation	228,628	1,245	-	237,985	467,858
Pension and fringe benefits	1,331,988	-	-	-	1,331,988
State and county charges	46,916	-	-	-	46,916
Debt service:					
Principal	522,710	-	-	-	522,710
Interest	155,761	-	-	-	155,761
Total Expenditures	<u>15,100,812</u>	<u>281,215</u>	<u>-</u>	<u>1,672,979</u>	<u>17,055,006</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(418,474)</u>	<u>19,376</u>	<u>494,268</u>	<u>27,525</u>	<u>122,695</u>
Other Financing Sources (Uses):					
Proceeds from lease transaction	-	-	-	89,515	89,515
Transfers in	338,034	-	-	-	338,034
Transfers out	-	(19,376)	(310,000)	(28,034)	(357,410)
Total Other Financing Sources (Uses)	<u>338,034</u>	<u>(19,376)</u>	<u>(310,000)</u>	<u>61,481</u>	<u>70,139</u>
Change in Fund Balances	(80,440)	-	184,268	89,006	192,834
Fund Balances:					
Beginning of the year	<u>2,082,055</u>	<u>-</u>	<u>505,920</u>	<u>1,901,906</u>	<u>4,489,881</u>
End of the year	<u>\$ 2,001,615</u>	<u>\$ -</u>	<u>\$ 690,188</u>	<u>\$ 1,990,912</u>	<u>\$ 4,682,715</u>

See accompanying notes to basic financial statements.

TOWN OF PAXTON, MASSACHUSETTS

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

Change in Fund Balances — Total Governmental Funds \$ 192,834

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

Capital asset additions	537,110	
Depreciation/amortization expense	<u>(1,009,493)</u>	
Net effect of reporting capital activity		(472,383)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. 16,288

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

Issuance of lease liabilities	(89,515)	
Repayments of long-term debt	522,710	
Repayments of lease liabilities	<u>65,606</u>	
Net effect of reporting long-term debt activity		498,801

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

Net other postemployment benefits liability	(60,562)	
Net pension liability	(464,841)	
Compensated absences	(36,807)	
Accrued interest	<u>7,441</u>	
Net effect of reporting long-term liabilities		<u>(554,769)</u>

Change in Net Position — Governmental Activities \$ (319,229)

See accompanying notes to basic financial statements.

TOWN OF PAXTON, MASSACHUSETTS

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

	Business-Type Activities		
	Electric (a)	Water	Total
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 3,894,656	\$ 272,382	\$ 4,167,038
Investments	1,078,259	-	1,078,259
User charges receivables, net of allowances	327,399	186,830	514,229
Inventories and other current assets	185,832	-	185,832
Total Current Assets	5,486,146	459,212	5,945,358
Noncurrent Assets:			
Net other postemployment benefit asset	139,173	-	139,173
Land	319	641,400	641,719
Construction in-progress	178,434	-	178,434
Depreciable capital assets, net	2,047,667	2,057,186	4,104,853
Total Noncurrent Assets	2,365,593	2,698,586	5,064,179
Total Assets	7,851,739	3,157,798	11,009,537
Deferred Outflows of Resources:			
Other postemployment benefits	202,867	-	202,867
Pensions	665,072	10,424	675,496
Total Deferred Outflows of Resources	867,939	10,424	878,363

(continued)

TOWN OF PAXTON, MASSACHUSETTS

PROPRIETARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2023

	Business-Type Activities		
	Electric (a)	Water	Total
Liabilities:			
Current Liabilities:			
Warrants and accounts payable	\$ 442,890	\$ 78,444	\$ 521,334
Customer deposits	30,500	-	30,500
Accrued interest	-	8,762	8,762
Compensated absences	-	6,622	6,622
Current portion of long-term debt	-	64,419	64,419
Total Current Liabilities	473,390	158,247	631,637
Noncurrent liabilities:			
Compensated absences	-	12,299	12,299
Net other postemployment benefits liability	-	95,378	95,378
Net pension liability	2,251,348	75,851	2,327,199
Long-term debt	-	891,426	891,426
Total Noncurrent Liabilities	2,251,348	1,074,954	3,326,302
Total Liabilities	2,724,738	1,233,201	3,957,939
Deferred Inflows of Resources:			
Contribution in aid of construction	333,455	-	333,455
Rate stabilization reserve	2,325,514	-	2,325,514
Other postemployment benefits	139,604	-	139,604
Pensions	619,999	3,314	623,313
Total Deferred Inflows of Resources	3,418,572	3,314	3,421,886
Net Position:			
Net investment in capital assets	2,226,420	1,742,741	3,969,161
Restricted for depreciation	940,079	-	940,079
Unrestricted	(590,131)	188,966	(401,165)
Total Net Position	\$ 2,576,368	\$ 1,931,707	\$ 4,508,075
			(concluded)

(a) As of December 31, 2021.

See accompanying notes to basic financial statements.

TOWN OF PAXTON, MASSACHUSETTS

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

	Business-Type Activities		
	Electric (a)	Water	Total
Operating Revenues:			
Charges for services	\$ 4,057,706	\$ 1,067,176	\$ 5,124,882
Other operating revenues	106,496	3,428	109,924
Total Operating Revenues	4,164,202	1,070,604	5,234,806
Operating Expenses:			
Payroll and personnel costs	1,069,536	237,634	1,307,170
Operating costs	2,682,048	862,684	3,544,732
Depreciation	207,069	101,161	308,230
Total Operating Expenses	3,958,653	1,201,479	5,160,132
Operating Income (Loss)	205,549	(130,875)	74,674
Nonoperating Revenues (Expenses):			
Intergovernmental	6,419	-	6,419
Investment income (loss)	(179,784)	1,278	(178,506)
Interest expense	(40)	(32,302)	(32,342)
Total Nonoperating Revenues (Expenses)	(173,405)	(31,024)	(204,429)
Income (Loss) Before Transfers	32,144	(161,899)	(129,755)
Transfers:			
Transfers in	-	19,376	19,376
Change in Net Position	32,144	(142,523)	(110,379)
Net Position:			
Beginning of the year	2,544,224	2,074,230	4,618,454
End of the year	\$ 2,576,368	\$ 1,931,707	\$ 4,508,075

(a) As of and for the year ended December 31, 2021.

See accompanying notes to basic financial statements.

TOWN OF PAXTON, MASSACHUSETTS

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

	Business-Type Activities		
	Electric	Water	Total
Cash Flows from Operating Activities:			
Receipts from user charges	\$ 3,976,021	\$ 1,066,522	\$ 5,042,543
Receipts from other operating revenues	106,496	3,428	109,924
Payments to employees	(1,098,395)	(214,664)	(1,313,059)
Payments to vendors	(2,647,325)	(889,577)	(3,536,902)
Net Cash Provided by (Used in) Operating Activities	336,797	(34,291)	302,506
Cash Flows from Noncapital Financial Activities:			
Proceeds from operating grants	6,419	-	6,419
Transfers in	-	19,376	19,376
Net Cash Provided by Noncapital Financing Activities	6,419	19,376	25,795
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(264,906)	-	(264,906)
Principal repayments on long-term debt	-	(73,503)	(73,503)
Interest payments	(40)	(32,880)	(32,920)
Net Cash Used in Capital and Related Financing Activities	(264,946)	(106,383)	(371,329)
Cash Flow from Investing Activities:			
Investment income	(179,784)	1,278	(178,506)
Investment of operating cash	(516,898)	-	(516,898)
Net Cash (Used in) Provided by Investing Activities	(696,682)	1,278	(695,404)
Change in Cash and Cash Equivalents	(618,412)	(120,020)	(738,432)
Cash and Cash Equivalents:			
Beginning of the year	4,513,068	392,402	4,905,470
End of the year	\$ 3,894,656	\$ 272,382	\$ 4,167,038

(continued)

TOWN OF PAXTON, MASSACHUSETTS

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

	Business-Type Activities		
	Electric	Water	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used in) Operating Activities:			
Operating Income (Loss)	\$ 205,549	\$ (130,875)	\$ 74,674
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used in) Operating Activities:			
Depreciation expense	207,069	101,161	308,230
Changes in assets, deferred outflows (inflows) of resources and liabilities:			
Receivables and other current assets	(109,313)	(654)	(109,967)
Warrants payable and other current liabilities	62,351	(26,893)	35,458
Accrued and deferred benefits payable	(28,859)	22,970	(5,889)
Net Cash Provided by (Used in) Operating Activities	<u>\$ 336,797</u>	<u>\$ (34,291)</u>	<u>\$ 302,506</u>
			<i>(concluded)</i>

See accompanying notes to basic financial statements.

TOWN OF PAXTON, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2023

	Electric OPEB Trust (a)
Assets:	
Invested with MMWEC	\$ 844,556
Total Assets	<u>844,556</u>
Liabilities:	
Warrants payable and other liabilities	<u>-</u>
Total Liabilities	<u>-</u>
Net Position:	
Restricted for other postemployment benefits	<u>844,556</u>
Total Net Position	<u><u>\$ 844,556</u></u>

(a) As of December 31, 2022.

See accompanying notes to basic financial statements.

TOWN OF PAXTON, MASSACHUSETTS

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
JUNE 30, 2023

	Electric OPEB Trust (a)
Additions:	
Employer contributions	\$ 30,379
Net investment loss	(136,862)
Total Additions	(106,483)
Deductions:	
Health benefits to retirees and survivors	30,379
Total Deductions	30,379
Change in Net Position	(136,862)
Net Position:	
Beginning of the year	981,418
End of the year	<u>\$ 844,556</u>

(a) As of and for the year ended December 31, 2022.

See accompanying notes to basic financial statements.

TOWN OF PAXTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town is located in Worcester County, approximately forty-five miles west of the City of Boston and borders the City of Worcester. The Town was incorporated in 1765. The governing structure utilizes an open town meeting format with an elected three-member Select Board and an appointed Town Administrator, who manages the Town’s daily executive and administrative duties. Selectmen serve staggered three-year terms.

The Town provides governmental services for the territory within its boundaries, including public safety, education through a regional school district, public works, health and human services, culture and recreation, general governmental services, water and electricity. The electric and water activities are funded through user charges and treated as business enterprises in these basic financial statements.

Component units, while separate entities, are in substance part of the governmental operations if the significance of their operations and/or financial relationship with the Town meet certain criteria. The component unit discussed below is included in the Town's reporting entity because of the significance of its operations or financial relationships with the Town.

Paxton Municipal Light Department – Paxton Municipal Light Department, (“PMLD” or “Electric”), which provides electrical services to the Town’s inhabitants, is required to be included as a component unit of the Town. PMLD accounts for its operations on a calendar year basis. The net position and results of PMLD’s operations as of and for the year ended December 31, 2022 have been included in the Town’s proprietary funds financial statements. The PMLD issued stand-alone audited financial statements from another auditor, which can be obtained from the PMLD. PMLD is located at 578 Pleasant Street, Paxton Massachusetts 01612.

The Town is a member community of the Wachusett Regional School District, which provides educational services to five area communities. This joint venture assesses each community its share of operational and debt service costs based on student population and other factors. In fiscal year 2023, the Town’s assessment was \$7,177,576. There is no equity interest reported in these financial statements. Complete audited financial statements can be obtained directly from the District’s administrative office located at Jefferson School, 1745 Main Street, Jefferson, MA 01522.

In addition, the Town is a member community of the Bay Path Regional Vocational Technical School, which belongs to the Southern Worcester County Regional Vocational School District. This joint venture assesses each of the ten member communities its share of the operational and debt service costs based on student population and other factors. In fiscal year 2023, the Town's assessment was \$438,277. There is no equity interest reported in these financial statements. Complete audited financial statements can be obtained directly from the District's administrative office located at 57 Old Muggett Hill Road, Charlton, MA 01507.

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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. The effect of material interfund activity has been removed from the government-wide financial statements.

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

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

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

The government reports the following major governmental funds:

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

ARPA Grant Fund – is used to account for the Town's expenditure of the American Rescue Plan Act of 2021.

Ambulance Fund – was established as a major fund in fiscal year 2023 and is used to account for the Town's ambulance operations.

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

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

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

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

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

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

The Town reports its electric and water enterprises as major proprietary funds.

Fiduciary fund financial statements are reported using the economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity and cannot be used to support the governmental programs. The Town reports the PMLD's other postemployment benefits ("OPEB") trust fund as fiduciary funds. The Town OPEB Plan does not report any assets at June 30, 2023.

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

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

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

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

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

Real estate taxes and water usage fees are secured through a lien process within sixty days after the due date and are considered 100% collectible. Accordingly, an allowance for uncollectible balances for these receivables is not expected to be significant. All personal property tax, excise tax and other departmental receivables are shown net of an allowance for uncollectible accounts.

Inventories and Prepaid Items – In the case of the Town, inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase. With respect to the PMLD, materials and supplies are inventories of parts and accessories purchased for use in PMLD's operations. Materials and supplies inventory are stated at the lower of cost or market with cost being determined on a first-in, first-out basis.

Certain payments to vendors reflect costs applicable to future accounting periods and may be recorded as prepaid items in both government-wide and fund financial statements.

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

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

Capital assets (excluding land and construction in-progress) are depreciated by the Town and the PMLD on a straight-line-basis.

The estimated useful lives of capital assets being depreciated are as follows:

Land improvements	40 years
Buildings and improvements	10 – 50 years
Vehicles, machinery and equipment	5 – 25 years
Infrastructure	15 – 50 years

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

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

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

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

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

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

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

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

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

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports deferred inflows of resources in its government-wide financial statements relative to certain PMLD transactions, OPEB and pension-related transactions. The deferred OPEB and pensions will be recognized as reductions to OPEB and pension expense within the next five years. The Town reports unavailable revenues as deferred inflows of resources in its governmental funds financial statements. These amounts will be recognized as an inflow of resources in the period that the amounts become available.

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

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

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

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

Committed represents amounts that can only be used for specific purposes pursuant to formal action of the Town's highest level of decision-making authority, which is the Town Meeting action, and can be modified or rescinded through these actions.

Assigned represents amounts that are constrained by the Town's intent to be used for specific purposes but are neither restricted nor committed.

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

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

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

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

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

Revolving funds represent assets that have been accumulated from specific services not supported by the Town's general appropriation.

Depreciation fund is used by the PMLD to account for cash reserved for plant improvements, decommissioning, contractual commitments and deferred costs related to such commitments that the PLMD board determines are above market value.

Other purposes represent assets that are restricted by donors or the Town's legislative body for specific governmental programs and uses.

F. Use of Estimates

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

G. Reclassification

The ambulance fund was determined to be a major governmental fund in fiscal year 2023. The Town reclassified \$505,920 in fund balances previously reported in the nonmajor governmental funds to the newly reported ambulance fund at the beginning of the fiscal year.

II. Detailed Notes to All Funds

A. **Deposits and Investments**

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

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

Deposits and Investments of the Town (excludes the PMLD)

Custodial Credit Risk: Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk relative to cash holdings. At June 30, 2023, all of the Town's bank deposits were fully insured by the Federal Depository Insurance Corporation ("FDIC"), the Depositors Insurance Fund ("DIF") or other forms of collateralization and was therefore unexposed to custodial credit risk.

Custodial Credit Risk: Investments - In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings. The Town does not have a formal investment policy related to custodial credit risk. All of the Town's investments are registered in its name and cannot be pledged or assigned, accordingly the Town is not exposed to custodial credit risk on its investments.

Fair Value Measurements: Investments - The following table presents the Town's investments carried at fair value on a recurring basis in the statement of net position at June 30, 2023:

<u>Investments by Fair Value Level</u>	<u>June 30, 2023</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt securities:				
U.S. Government obligations	\$ 403,813	\$ 403,813	\$ -	\$ -
Corporate bonds	<u>523,254</u>	<u>-</u>	<u>523,254</u>	<u>-</u>
Total debt securities	<u>927,067</u>	<u>403,813</u>	<u>523,254</u>	<u>-</u>
Equity securities	69,125	69,125	-	-
Mutual funds	<u>184,347</u>	<u>-</u>	<u>184,347</u>	<u>-</u>
Total investments by fair value level	<u>\$ 1,180,539</u>	<u>\$ 472,938</u>	<u>\$ 707,601</u>	<u>\$ -</u>

Concentration of Credit Risk: Investments – The Town’s investment policy prohibits any investment (excluding U.S. Treasuries or agencies and MMDT) to exceed 10% of the Town’s investments. The following investments held by the Town at June 30, 2023 represents 65.2% of the Town’s total investments:

U.S. Treasury notes	27.6%
U.S. Governmental agency obligations	6.5%
Corporate bond - AT&T, Inc.	5.6%
Corporate bond - Duke Energy Corp.	5.4%
Corporate bond - Verizon Communications, Inc.	5.1%
Corporate bond - Xcel Energy, Inc.	5.0%

Interest Rate Risk: Investments – This is the risk that changes in interest rates will adversely affect the market value of an investment. The Town does not have formal investment policies that limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. In practice, the Town mitigates interest rate risk by managing the duration of its investments. At June 30, 2023, the Town had the following investments and maturities:

Investment Type	Fair Value	Time Until Maturity (in years)		
		Less Than 1	1 to 5	6 to 10
U.S. government obligations	\$ 403,813	\$ 65,591	\$ 338,222	\$ -
Corporate bonds	523,254	180,284	289,003	53,967
Total investments with maturities	927,067	<u>\$ 245,875</u>	<u>\$ 627,225</u>	<u>\$ 53,967</u>
Equity securities	69,125			
Mutual funds	184,347			
Total Town investments	<u>\$ 1,180,539</u>			

Credit Risk: Investments – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town’s investment policy seeks to mitigate this risk using a capital preservation strategy. In practice, the Town seeks to purchase investment grade securities with a high concentration of securities rated A or above as determined by credit rating agencies.

The following table summarizes the credit ratings of the Town’s investments in debt securities at June 30, 2023:

Moody's Rating	U.S		Total
	Government Obligations	Corporate Bonds	
Aaa	\$ 403,813	\$ -	\$ 403,813
A1	-	54,375	54,375
A2	-	109,749	109,749
A3	-	53,967	53,967
Baa1	-	175,484	175,484
Baa2	-	129,679	129,679
	<u>\$ 403,813</u>	<u>\$ 523,254</u>	<u>\$ 927,067</u>

Deposits and Investments of the PMLD (as of December 31, 2022)

Custodial Credit Risk: Deposits –The PMLD’s policy for custodial credit risk of deposits is to rely on FDIC and DIF insurance coverage for deposits held at each financial institution. All of the PMLD’s funds are deposited with the Town. All PMLD deposits were fully insured at December 31, 2022.

Custodial Credit Risk: Investments –The PMLD’s policy for custodial credit risk of investments intends that all investments are either insured and/or registered in the name of the PMLD. At December 31, 2022, the PMLD was not exposed to custodial credit risk on its investments.

Fair Value Measurements: Investments – The following table presents the PMLD’s investments carried at fair value on a recurring basis as of December 31, 2022:

<u>Investments by Fair Value Level</u>	<u>December 31, 2022</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt securities:				
U.S. Government obligations	\$ 507,050	\$ 507,050	\$ -	\$ -
Corporate bonds	<u>560,583</u>	<u>-</u>	<u>560,583</u>	<u>-</u>
Total debt securities	<u>1,067,633</u>	<u>507,050</u>	<u>560,583</u>	<u>-</u>
Mutual funds	<u>10,626</u>	<u>-</u>	<u>10,626</u>	<u>-</u>
Total investments by fair value level	<u>\$ 1,078,259</u>	<u>\$ 507,050</u>	<u>\$ 571,209</u>	<u>\$ -</u>

Concentration of Credit Risk: Investments – The following investments held by the PMLD at December 31, 2022 represented 85.8% of its total investments:

U.S. Governmental obligations	47.0%
Corporate bond - Merck & Company	5.8%
Corporate bond - Bank of America Corp.	5.7%
Corporate bond - Verizon Communications, Inc.	5.7%
Corporate bond - AT&T, Inc.	5.6%
Corporate bond - Pepsico, Inc.	5.5%
Corporate bond - Duke Energy Corp	5.3%
Corporate bond - Bristol Meyers Squibb	5.2%

Interest Rate Risk: Investments –The PMLD does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. In practice, the PMLD mitigates interest rate risk by managing the duration of its investments. At December 31, 2022, the PMLD had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Time Until Maturity (in years)</u>		
		<u>Less Than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>
U.S. government obligations	\$ 507,050	\$ 105,052	\$ 401,998	\$ -
Corporate bonds	560,583	62,793	497,790	-
Total investments with maturities	1,067,633	<u>\$ 167,845</u>	<u>\$ 899,788</u>	<u>\$ -</u>
Mutual funds	10,626			
Total PMLD investments	<u>\$ 1,078,259</u>			

Credit Risk: Investments – The following table summarizes the credit ratings of the PMLD's investments in debt securities at December 31, 2022:

<u>S&P Rating</u>	<u>U.S</u>		<u>Total</u>
	<u>Government Obligations</u>	<u>Corporate Bonds</u>	
AAA	\$ -	\$ 55,967	\$ 55,967
AA+	507,050	-	507,050
A+	-	230,614	230,614
A	-	17,302	17,302
A-	-	64,962	64,962
BBB+	-	65,515	65,515
BBB	-	126,223	126,223
	<u>\$ 507,050</u>	<u>\$ 560,583</u>	<u>\$ 1,067,633</u>

B. Receivables

Receivables as of June 30, 2023 for the Town's major governmental funds and nonmajor governmental funds in the aggregate, including applicable allowances for uncollectible accounts, were as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Real estate taxes	\$ 88,507	\$ -	\$ 88,507
Personal property taxes	1,405	-	1,405
Tax liens	81,330	-	81,330
Excise taxes	56,153	(7,000)	49,153
Departmental and other	798,468	(412,000)	386,468
Title V loan receivables	154,669	-	154,669
Intergovernmental	61,860	-	61,860
	<u>\$ 1,242,392</u>	<u>\$ (419,000)</u>	<u>\$ 823,392</u>

Receivables reported in the Town's proprietary funds were entirely related to user charges. The PMLD reported a \$5,000 allowance for uncollectible accounts at December 31, 2022. No amounts were reported in allowances for uncollectible accounts at June 30, 2023 in the Town's water enterprise fund.

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

	General Fund	Ambulance Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 77,345	\$ -	\$ -	\$ 77,345
Tax liens	81,330	-	-	81,330
Excise taxes	49,153	-	-	49,153
Departmental and other	27,592	212,893	154,669	395,154
	<u>\$ 235,420</u>	<u>\$ 212,893</u>	<u>\$ 154,669</u>	<u>\$ 602,982</u>

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 2,673,115	\$ -	\$ -	\$ 2,673,115
Capital assets being depreciated/amortized:				
Buildings and improvements	22,375,761	46,900	-	22,422,661
Infrastructure	4,428,074	257,892	-	4,685,966
Machinery and equipment	4,691,264	142,803	(74,110)	4,759,957
Vehicles	1,482,037	89,515	(54,951)	1,516,601
Total capital assets being depreciated/amortized	32,977,136	537,110	(129,061)	33,385,185
Less accumulated depreciation/amortization for:				
Buildings and improvements	(13,024,513)	(482,031)	-	(13,506,544)
Infrastructure	(2,144,797)	(227,143)	-	(2,371,940)
Machinery and equipment	(3,710,308)	(178,291)	74,110	(3,814,489)
Vehicles	(965,580)	(122,028)	54,951	(1,032,657)
Total accumulated depreciation/amortization	(19,845,198)	(1,009,493)	129,061	(20,725,630)
Total capital assets being depreciated, net	13,131,938	(472,383)	-	12,659,555
Total governmental activities capital assets, net	\$ 15,805,053	\$ (472,383)	\$ -	\$ 15,332,670
<u>Business-Type Activities - Combined:</u>				
Capital assets not being depreciated:				
Land	\$ 641,719	\$ -	\$ -	\$ 641,719
Construction in-progress	68,448	109,986	-	178,434
Total capital assets not being depreciated	710,167	109,986	-	820,153
Capital assets being depreciated:				
Electric plant	6,902,280	154,920	(66,343)	6,990,857
Buildings and improvements	696,400	-	-	696,400
Infrastructure	4,433,632	-	-	4,433,632
Machinery and equipment	58,139	-	-	58,139
Vehicles	76,334	-	-	76,334
Total capital assets being depreciated	12,166,785	154,920	(66,343)	12,255,362
Less accumulated depreciation for:				
Electric plant	(4,802,464)	(207,069)	66,343	(4,943,190)
Buildings and improvements	(470,005)	(15,030)	-	(485,035)
Infrastructure	(2,538,636)	(73,607)	-	(2,612,243)
Machinery and equipment	(36,157)	(2,541)	-	(38,698)
Vehicles	(61,360)	(9,983)	-	(71,343)
Total accumulated depreciation	(7,908,622)	(308,230)	66,343	(8,150,509)
Total capital assets being depreciated, net	4,258,163	(153,310)	-	4,104,853
Total business-type activities capital assets, net	\$ 4,968,330	\$ (43,324)	\$ -	\$ 4,925,006

	Beginning Balance	Increases	Decreases	Ending Balance
<u><i>Business-Type Activities: PMLD</i></u>				
Capital assets not being depreciated:				
Land	\$ 319	\$ -	\$ -	\$ 319
Construction in-progress	68,448	109,986	-	178,434
Total capital assets not being depreciated	68,767	109,986	-	178,753
Capital assets being depreciated:				
Distribution plant	5,251,744	138,633	(28,739)	5,361,638
General plant	1,650,536	16,287	(37,604)	1,629,219
Total capital assets being depreciated	6,902,280	154,920	(66,343)	6,990,857
Less accumulated depreciation for:				
Distribution plant	(4,123,010)	(125,265)	28,739	(4,219,536)
General plant	(679,454)	(81,804)	37,604	(723,654)
Total accumulated depreciation	(4,802,464)	(207,069)	66,343	(4,943,190)
Total capital assets being depreciated, net	2,099,816	(52,149)	-	2,047,667
Total PMLD capital assets, net	<u>\$ 2,168,583</u>	<u>\$ 57,837</u>	<u>\$ -</u>	<u>\$ 2,226,420</u>
<u><i>Business-Type Activities: Water</i></u>				
Capital assets not being depreciated:				
Land	\$ 641,400	\$ -	\$ -	\$ 641,400
Capital assets being depreciated:				
Buildings and improvements	696,400	-	-	696,400
Infrastructure	4,433,632	-	-	4,433,632
Machinery and equipment	58,139	-	-	58,139
Vehicles	76,334	-	-	76,334
Total capital assets being depreciated	5,264,505	-	-	5,264,505
Less accumulated depreciation for:				
Buildings and improvements	(470,005)	(15,030)	-	(485,035)
Infrastructure	(2,538,636)	(73,607)	-	(2,612,243)
Machinery and equipment	(36,157)	(2,541)	-	(38,698)
Vehicles	(61,360)	(9,983)	-	(71,343)
Total accumulated depreciation	(3,106,158)	(101,161)	-	(3,207,319)
Total capital assets being depreciated, net	2,158,347	(101,161)	-	2,057,186
Total Water capital assets, net	<u>\$ 2,799,747</u>	<u>\$ (101,161)</u>	<u>\$ -</u>	<u>\$ 2,698,586</u>

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

General government	\$ 27,405
Public safety	399,058
Education	242,705
Public works	306,363
Health and human services	12,127
Culture and recreation	21,835
	<u>\$ 1,009,493</u>

D. Interfund Transfers

Interfund transfers in fiscal year 2023 consisted of the following:

Transfers Out	Transfers In		
	General Fund	Water Fund	Total
ARPA fund	\$ -	\$ 19,376	\$ 19,376 (1)
Ambulance fund	310,000	-	310,000 (2)
Nonmajor governmental funds	28,034	-	28,034 (3)
	<u>\$ 338,034</u>	<u>\$ 19,376</u>	<u>\$ 357,410</u>

- (1) Transfer to water to subsidize operations.
- (2) Budgeted transfers to supplement operating budget.
- (3) Transfer of closed funds.

E. Purchased Power Working Capital

The PMLD is a member and participant of the Massachusetts Municipal Wholesale Electric Company (“MMWEC”). A purchased power working capital is an amount held by MMWEC as an escrow. The purchased power working capital fund is replenished as needed from the PMLD’s monthly invoice payments. The income earned from the purchased power working capital fund applicable to the PMLD’s deposit is applied as a credit to MMWEC’s power sales billings. The balance in the purchased power working capital funds as of December 31, 2022 is \$440,314 and is reported in the PMLD’s current assets.

F. Temporary Debt

The Town is authorized to borrow on a temporary basis to fund its current operating costs as well as capital projects. Temporary notes are general obligations of the Town and carry maturity dates that are limited by state law. Interest expenditures and expenses for temporary borrowings are accounted for in the general fund and enterprise funds.

Temporary notes are general obligations of the Town and carry maturity dates not in excess of one year. There were no temporary borrowings in the current year.

G. Long-Term Obligations

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

The following reflects the current year activity (the PMLD's activity is for the year ended December 31, 2022) in the long-term liability accounts:

Description of Issue	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
General obligation bonds	\$ 1,825,000	\$ -	\$ (315,000)	\$ 1,510,000	\$ 315,000
Direct borrowings and placements	1,883,710	-	(207,710)	1,676,000	156,000
Lease liabilities	220,159	89,515	(65,606)	244,068	64,235
Compensated absences	118,661	36,807	-	155,468	54,414
Net OPEB liability	2,062,156	145,125	(84,563)	2,122,718	-
Net pension liability	<u>8,109,225</u>	<u>4,123,290</u>	<u>(2,409,839)</u>	<u>9,822,676</u>	<u>-</u>
Total Governmental Activities	<u>\$ 14,218,911</u>	<u>\$ 4,394,737</u>	<u>\$ (3,082,718)</u>	<u>\$ 15,530,930</u>	<u>\$ 589,649</u>
<i>Business-Type Activities - Water:</i>					
Direct borrowings and placements	\$ 1,018,894	\$ -	\$ (63,049)	\$ 955,845	\$ 64,419
Lease liabilities	10,454	-	(10,454)	-	-
Compensated absences	13,259	5,662	-	18,921	6,622
Net OPEB liability	92,657	6,521	(3,800)	95,378	-
Net pension liability	<u>52,049</u>	<u>39,817</u>	<u>(16,015)</u>	<u>75,851</u>	<u>-</u>
Total Water	<u>\$ 1,187,313</u>	<u>\$ 52,000</u>	<u>\$ (93,318)</u>	<u>\$ 1,145,995</u>	<u>\$ 71,041</u>
<i>Business-Type Activities - PMLD:</i>					
Net OPEB asset	\$ (270,618)	\$ 444,885	\$ (313,440)	\$ (139,173)	\$ -
Net pension liability	<u>2,678,433</u>	<u>1,201,483</u>	<u>(1,628,568)</u>	<u>2,251,348</u>	<u>-</u>
Total PMLD	<u>\$ 2,407,815</u>	<u>\$ 1,646,368</u>	<u>\$ (1,942,008)</u>	<u>\$ 2,112,175</u>	<u>\$ -</u>

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

General obligation bonds and notes payable outstanding at June 30, 2023 were as follows:

Description of Issue	Interest Rates	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>					
General obligation bonds	2.50 - 5.00%	\$ 1,825,000	\$ -	\$ (315,000)	\$ 1,510,000
USDA note payable	4.375%	1,350,000	-	(50,000)	1,300,000
State House serial loan notes payable	2.20 - 3.80%	533,710	-	(157,710)	376,000
Total Governmental Activities		<u>\$ 3,708,710</u>	<u>\$ -</u>	<u>\$ (522,710)</u>	<u>\$ 3,186,000</u>
<i>Business-Type Activities - Water:</i>					
MCWT notes payable	2.00%	\$ 1,018,894	\$ -	\$ (63,049)	\$ 955,845
Total Water		<u>\$ 1,018,894</u>	<u>\$ -</u>	<u>\$ (63,049)</u>	<u>\$ 955,845</u>

Debt service requirements on long-term debt at June 30, 2023 were as follows:

Year Ended June 30,	Governmental Activities				Business-Type Activities: Water	
	General Obligation Bonds		Direct Borrowings and Placements		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 315,000	\$ 68,262	\$ 156,000	\$ 67,619	\$ 64,419	\$ 19,117
2025	315,000	54,482	130,000	62,700	65,819	17,829
2026	315,000	40,702	120,000	58,275	67,250	16,512
2027	310,000	26,132	95,000	54,138	68,711	15,167
2028	255,000	11,794	95,000	50,562	70,204	13,793
2029 - 2033	-	-	280,000	208,862	374,583	47,283
2034 - 2038	-	-	250,000	153,125	244,859	9,865
2039 - 2044	-	-	250,000	98,438	-	-
2044 - 2048	-	-	250,000	43,750	-	-
2049	-	-	50,000	2,187	-	-
	<u>\$ 1,510,000</u>	<u>\$ 201,372</u>	<u>\$ 1,676,000</u>	<u>\$ 799,656</u>	<u>\$ 955,845</u>	<u>\$ 139,566</u>

At June 30, 2023, no amounts were authorized and unissued for additional borrowings.

H. Lease Liabilities

The Town is party to several non-cancellable leases for machinery and vehicles. For financial reporting purposes, these leases have been capitalized and reported as lease liabilities in governmental activities. Lease payment requirements as of June 30, 2023 were as follows:

Year Ended June 30,	Principal	Interest	Total
2024	\$ 64,235	\$ 10,543	\$ 74,778
2025	57,850	7,403	65,253
2026	28,837	4,562	33,399
2027	29,916	3,483	33,399
2028	31,035	2,364	33,399
2029	32,195	1,204	33,399
	<u>\$ 244,068</u>	<u>\$ 29,559</u>	<u>\$ 273,627</u>

Assets acquired through lease transactions were as follows:

Ambulance	\$ 288,204
Police vehicles	89,515
DPW truck	<u>56,980</u>
Leased assets at cost	434,699
Less accumulated amortization	<u>(166,803)</u>
Leased assets, net	<u>\$ 267,896</u>

I. Fund Balances

The components of fund balances as listed in aggregate in the governmental funds balance sheet at June 30, 2023 are detailed as follows:

	General Fund	Ambulance Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Nonexpendable trust funds	\$ -	\$ -	\$ 408,804	\$ 408,804
Restricted:				
General government	-	-	514,528	514,528
Public safety	-	690,188	165,477	855,665
Health and human services	-	-	289,435	289,435
Culture and recreation	-	-	383,472	383,472
Other purposes	210	-	245,608	245,818
Committed:				
General government articles	16,382	-	-	16,382
Education articles	5,200	-	-	5,200
Public works articles	81,759	-	-	81,759
Culture and recreation articles	79,969	-	-	79,969
Assigned:				
General government	592	-	-	592
Public works	2,670	-	-	2,670
Subsequent year expenditures	564,511	-	-	564,511
Unassigned:				
Capital stabilization	72,096	-	-	72,096
General stabilization	448,724	-	-	448,724
Unrestricted	<u>729,502</u>	<u>-</u>	<u>(16,412)</u>	<u>713,090</u>
	<u>\$ 2,001,615</u>	<u>\$ 690,188</u>	<u>\$ 1,990,912</u>	<u>\$ 4,682,715</u>

The ARPA grant fund is not presented in the table above as it did not report a fund balance at June 30, 2023.

Stabilization Funds – The Town maintains general and capital stabilization funds. The use of stabilization funds requires the vote of two-thirds of Town Meeting. These stabilization funds are reported as components of the Town’s unassigned general fund balance.

Encumbrances – The Town’s encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal purchasing activity approved by the Town as assigned, and (2) classify encumbrances that result from an action of the Town Meeting as committed. Encumbrances of funds already restricted or committed are included within the classification of those fund balances and not reported separately. The Town reports \$3,262 of encumbrances from normal purchasing activity in the general fund as assigned. There are no encumbrances reported in any other fund.

J. Excess of Expenditures Over Appropriations and Deficits

During the year ended June 30, 2023, there were no material instances where expenditures exceeded appropriations. Deficits related to public safety details were reported in the nonmajor governmental funds at June 30, 2023 and are expected to be cured through future receipts.

III. Other Information

A. Retirement Systems

Pension Plan Description – The Town contributes to the Worcester Regional Retirement System (the “Retirement System”), a cost-sharing multiple-employer defined benefit pension plan. The Retirement System was established under Chapter 32 of Massachusetts General Law (“MGL”). The Retirement System is administered by the Worcester Regional Retirement Board (the “Retirement Board”). Stand-alone financial statements for the year ended December 31, 2022 were issued and are available by submitting a request to the Retirement System at 23 Midstate Drive, Suite 106, Auburn, Massachusetts 01501.

Current membership in the Retirement System for all ninety-nine employers as of December 31, 2022 was as follows:

Active members	7,121
Inactive members entitled to, but not receiving benefits	2,714
Inactive members (or beneficiaries) currently receiving benefits	<u>4,112</u>
	<u>13,947</u>

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

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

The most common benefits paid by the Retirement System include normal retirement, disability retirement and survivor benefits.

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

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

The Retirement System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws. There were no significant changes to the Retirement System's benefit terms in fiscal year 2023.

Contributions Requirements – Under current MGL, the Retirement System is required to be fully funded by June 30, 2040. Participating employers to the Retirement System are assessed their proportionate share of the total annual pension appropriation. The Town (including the PMLD) contributed \$999,629 to the Retirement System in fiscal year 2023, which equaled the actuarially-determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll were approximately 27% in fiscal year 2023.

Net Pension Liability – At June 30, 2023, the Town reported a liability of \$12,149,875 for its proportionate share of the net pension liability. The net pension liability reported by the Retirement System at December 31, 2022 (used for fiscal year-end June 30, 2023) is \$12,641,797. The difference between these two figures is attributable to the difference in fiscal year ends between the Town and the PMLD, which results in a one-year lag.

The net pension liability was measured as of January 1, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. These figures were updated by the independent actuary and rolled forward to December 31, 2022.

There were no material changes to the Retirement System's benefit terms since the actuarial valuation. There were no significant changes to key actuarial assumptions in the current year.

The Town's proportion of the net pension liability is based on a projection of the Town's long-term share of contributions to the Retirement System relative to the projected contributions of all employers. The Town and PMLD's proportionate share were approximately 1.23% and 1.24% at December 31, 2022 and December 31, 2021, respectively.

Fiduciary Net Position – The elements of the Retirement System's basic financial statements (that is, all information about the Retirement System's assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position) can be found in the Retirement System's full financial statements as of and for the year ended December 31, 2022, which can be obtained by contacting the Retirement Board.

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

Pension Expense – The Town recognized \$1,625,761 in pension expense in the statement of activities in fiscal year 2023.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 350,007
Changes of assumptions	718,136	-
Net difference between projected and actual earnings on pension plan investments	668,005	317,628
Changes in proportion and differences between Town contributions and proportionate share of contributions	421,532	384,889
Contributions subsequent to the measurement date	217,606	-
	<u>\$ 2,025,279</u>	<u>\$ 1,052,524</u>

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

<u>Year Ended June 30,</u>		
2024	\$	329,902
2025		226,174
2026		129,517
2027		313,580
2028		(26,418)
	\$	<u>972,755</u>

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

Actuarial cost method	Entry age normal
Inflation	2.4% per year
Projected salary increases	Group 1: 6.00% - 4.25%, based on service Group 4: 7.00% - 4.75%, based on service
Investment rate of return	7.25%
Mortality rates	Based on the RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2020. For disabled lives, the mortality rates were based on the RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2020.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the Retirement System's target allocation as of December 31, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global equity	37%	4.74%
Core fixed income	15%	2.10%
Value-added fixed income	8%	5.20%
Private equity	16%	7.60%
Real estate	10%	3.10%
Timber/natural resources	4%	4.40%
Hedge funds	10%	3.90%

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

Sensitivity Analysis – The following presents the Town’s proportionate share of the net pension liability (inclusive of the PMLD) calculated using the discount rate used in the respective entity’s year-end actuarial valuation report and the net pension liability using a discount rate that is 1% lower or higher than the current rate(s):

<u>Employer</u>	<u>Current Discount Rate</u>	<u>Net Pension Liability At</u>		
		<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Town	7.25%	\$ 8,049,933	\$ 9,822,676	\$ 6,550,998
Water	7.25%	62,162	75,851	50,587
PMLD	7.50%	2,839,905	2,251,348	1,754,029

B. Other Postemployment Benefits

In addition to the pension benefits described above, the Town and PMLD provide health and life insurance benefits (other postemployment benefits, or OPEB) to current and future retirees, their dependents and beneficiaries (hereinafter referred to as the “OPEB Plans”).

The Town and PMLD operate separate OPEB Plans, while all benefits are provided through the Town’s insurance program. Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law and Town ordinance. Neither OPEB Plan issues stand-alone financial statements

The Town’s net OPEB liability was determined using an alternative measurement method, which is an approach that includes the same broad measurement steps as an actuarial valuation (i.e., projecting benefit payments, discounting projected benefit payments to a present value and attributing the present value of projected benefit payments to periods using an actuarial cost method). The Town is permitted to use an alternative measurement method as there are fewer than one hundred employees (active and inactive) eligible to receive OPEB benefits. The PMLD’s net OPEB liability was determined using an actuarial valuation.

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of June 30, 2023 (December 31, 2022 in the case of the PMLD):

	<u>Town</u>	<u>Electric</u>
Inactive employees or beneficiaries receiving benefits	33	8
Active employees	<u>34</u>	<u>7</u>
	<u>67</u>	<u>15</u>

Net OPEB Liability (Asset) – The Town’s net OPEB liability was measured as of June 30, 2023 using an alternative measurement method, while the PMLD’s net OPEB liability was measured as of December 31, 2022 using an actuarial valuation as of January 1, 2022. The components of the net OPEB liability reported by the Town at June 30, 2023 and the PMLD at December 31, 2022 were as follows:

	Town	Electric
Total OPEB liability	\$ 2,218,096	\$ 705,383
Plan fiduciary net position	<u>-</u>	<u>(844,556)</u>
Net OPEB liability (asset)	<u>\$ 2,218,096</u>	<u>\$ (139,173)</u>
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	0.0%	119.7%

The total OPEB liabilities for the separate OPEB Plans were determined using the following key actuarial assumptions in the most recent valuations applies to all periods included in the measurement, unless otherwise specified:

	Town OPEB Plan
Fiscal year ended	June 30, 2023
Valuation date	June 30, 2022
Valuation type	Alternative measurement method
Asset valuation method	Market value at June 30, 2023
Single equivalent discount rate	4.1%, net of OPEB Plan investment expense (previously 4.0%)
Healthcare cost trend	4.0% per annum
Life expectancy	The <i>Life Expectancy Table</i> from the National Center for Health Statistics, updated in 2015
	Electric OPEB Plan
Fiscal year ended	December 31, 2022
Valuation date	January 1, 2022
Actuarial cost method	Individual entry age normal
Asset valuation method	Market value at December 31, 2022
Inflation	2.5% per annum
Salary increases	3.0% per annum
Single equivalent discount rate	5.02%, net of OPEB Plan investment expense (previously 5.25%)
Healthcare cost trend	8.00% per annum
Pre-retirement mortality	RP-2014 Employees Mortality Table for Blue Collar Employees projected generationally with scale MP-2016, set forward one year for females
Post-retirement mortality	RP-2014 Employees Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016, set forward one year for females
Disabled mortality	RP-2014 Employees Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016, set forward one year

Long-Term Expected Rate of Return – The long-term expected rates of return on the OPEB Plans’ investments were determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for the PMLD OPEB Plan were as follows:

Asset Class	Electric OPEB Plan	
	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity - large cap	38.75%	4.10%
Domestic equity - small/mid cap	8.50%	4.55%
International equity - developed markets	7.50%	4.64%
Domestic fixed income	35.25%	1.05%
International fixed income	9.75%	0.96%
Cash and cash equivalents	<u>0.25%</u>	<u>0.00%</u>
	<u>100.00%</u>	
Real rate of return		2.77%
Inflation assumption		<u>2.50%</u>
Total nominal rate of return		5.27%
Investment expense		<u>0.25%</u>
Net investment return		<u>5.02%</u>

Town Discount Rate – The discount rate used to measure the total OPEB liability for the Town was 4.1%, which approximated a yield or index rate for twenty-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

PMLD Discount Rate – The discount rate used to measure the total OPEB liability for the PMLD was 5.02% as of December 31, 2022 (previously 5.25%). The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the OPEB Plan’s funding policy.

Changes in the Net OPEB Liability (Asset) – The following table summarizes the changes in the net OPEB liability (asset) for the year ended June 30, 2023 (the PMLD’s activity is for the year ended December 31, 2022):

	Town OPEB Plan		
	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances — beginning of year	\$ 2,154,813	\$ -	\$ 2,154,813
Changes for the year:			
Service cost	103,105	-	103,105
Interest	88,347	-	88,347
Experience differences	(39,786)	-	(39,786)
Employer contributions	-	88,383	(88,383)
Benefit payments	(88,383)	(88,383)	-
Net changes	63,283	-	63,283
Balances — end of year	<u>\$ 2,218,096</u>	<u>\$ -</u>	<u>\$ 2,218,096</u>

	Electric OPEB Plan		
	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB (Asset)
	(a)	(b)	(a) - (b)
Balances — beginning of year	\$ 710,800	\$ 981,418	\$ (270,618)
Changes for the year:			
Service cost	33,635	-	33,635
Interest	38,296	-	38,296
Changes in assumptions	115,512	-	115,512
Experience differences	(162,481)	-	(162,481)
Employer contributions	-	30,379	(30,379)
Net investment loss	-	(136,862)	136,862
Benefit payments	(30,379)	(30,379)	-
Net changes	(5,417)	(136,862)	131,445
Balances — end of year	<u>\$ 705,383</u>	<u>\$ 844,556</u>	<u>\$ (139,173)</u>

Sensitivity Analyses – The following table presents the Town’s and PMLD’s net OPEB liability (asset) as well as what these figures would be if they were calculated using the discount rates that were 1% lower or higher than the current discount rates:

Employer	Current Discount Rate	Net OPEB Liability (Asset) At		
		1% Decrease	Current Rate	1% Increase
Town	4.10%	\$ 2,335,233	\$ 2,122,718	\$ 1,920,935
Water	4.10%	104,927	95,378	86,312
PMLD	5.02%	(31,815)	(139,173)	(225,107)

The following table presents the Town’s and PMLD’s net OPEB liability (asset) as well as what these figures would be if they were calculated using the healthcare cost trend rates that were 1% lower or higher than the current healthcare cost trends rates:

Employer	Current Healthcare Cost Trend	Net OPEB Liability (Asset) At		
		1% Decrease	Current Rate	1% Increase
Town	4.00%	\$ 1,866,984	\$ 2,122,718	\$ 2,430,268
Water	4.00%	83,887	95,378	109,197
PMLD	8.00%	(235,532)	(139,173)	(17,260)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2023 (the PMLD’s activity is for the year ended December 31, 2022), the Town and PMLD recognized OPEB expense (income) of \$151,646 and \$(69,935), respectively. As the Town uses an alternative measurement method to calculate its total OPEB liability, there are no deferred outflows or inflows of resources reported relative to the net OPEB liability. Deferred outflows and inflows of resources related to the PMLD OPEB Plan at year end were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,143	\$ 134,991
Changes of assumptions	123,651	4,613
Net difference between projected and actual earnings on OPEB plan investments	67,073	-
	<u>\$ 202,867</u>	<u>\$ 139,604</u>

Deferred outflows and inflows of resources related to OPEB will be recognized into net OPEB expense (benefit) as follows:

Year Ended June 30,

2024	(6,618)
2025	16,611
2026	25,093
2027	28,177
	<u>\$ 63,263</u>

Investment Custody –The PMLD’s OPEB Plan is under the custody of the MMWEC.

Investment Policy –The MMWEC maintains an investment policy for the OPEB Plan assets it manages for the PMLD. Both investment policies seek to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct investment asset classes.

Investment Rate of Return – The annual money-weighted rate of return on investments expresses investment performance, net of investment expense, adjusted for changing amounts actually invested. The money-weighted rate of return for the PMLD OPEB Plan was -13.9% for the year ended December 31, 2022. As the Town does not currently maintain any assets in its OPEB Plan, a money-weighted return for the Town OPEB Plan is not reported.

C. Risk Financing

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

The PMLD participates in the Massachusetts Municipal Utility Self-Insurance Trust Fund (the “Trust”) with seventeen other Massachusetts municipalities for the purpose of sharing excess liability and officers’ liability risks. General liability coverage provides for \$500,000 per occurrence with a \$50,000 deductible. Environmental insurance coverage provides for \$1,500,000 per occurrence with a \$100,000 deductible. Each participating municipality contributes to the Trust based on its share of the group’s total kilowatt-hour sales. Payments for claims over the deductible limit are funded by Trust assets or, if required, additional contributions from the participants. The PMLD does not present estimated claims incurred but not reported as of December 31, 2022 as its pro rata share of these costs is not material to its financial statements.

D. Commitments and Contingencies

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

Appellate Tax Board – Generally the Town has pending cases filed with the Massachusetts Appellate Tax Board of the Commonwealth of Massachusetts (“ATB”). In total, assessed real property values of approximately \$6.1 million are in dispute with the ATB. The Town cannot estimate at this time the amount of previously assessed property taxes (and interest) that may be refunded to these taxpayers, if any. Furthermore, the Town cannot determine the likelihood of the taxpayers’ success at the ATB. Therefore, no such loss provision has been made in the Town’s basic financial statements.

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

Arbitrage – The Town is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties. The Town does not believe it has failed to comply with any of these agreements.

MMWEC Participation – The PMLD is a participant in certain projects of the MMWEC. The MMWEC is a public corporation and a political subdivision of the Commonwealth, created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in, and to issue revenue bonds to finance, electric facilities (“Projects”). MMWEC has acquired ownership interests in electric facilities operated by other entities and also owns and operates its own electric facilities. MMWEC operates the Stony Brook Intermediate Project and the Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has the Nuclear Mix No. 1 Project, Nuclear Project Three, Four, Five and Six, which comprise an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by NextEra Energy Seabrook LLC, and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated by Dominion Nuclear Connecticut, Inc. The operating license for Seabrook Station extends to March 15, 2050. The operating license for the Millstone Unit 3 nuclear unit extends to November 25, 2045.

MMWEC sells all of the capability (“Project Capability”) of each of its Projects to its Members and other utilities (“Project Participants”) under Power Sales Agreements (“PSAs”). The PMLD has entered into PSAs with MMWEC. Among other things, the PSAs require each Project Participant to pay its pro rata share of MMWEC’s costs related to the Project, which costs include debt service on the revenue bonds issued by MMWEC to finance the Project. In addition, should a Project Participant fail to make any payment when due, other Project Participants of that Project may be required to increase (step-up) their payments and correspondingly their Participant's share of that Project's Project Capability. Project Participants have covenanted to fix, revise and collect rates at least sufficient to meet their obligations under the PSAs. Each Participant is unconditionally obligated to make payments due to MMWEC whether or not the Project(s) is completed or operating and notwithstanding the suspension or interruption of the output of the Project(s).

Pursuant to the PSAs, the MMWEC Project Participants are liable for their proportionate share of the costs associated with decommissioning the plants, which costs are being funded through monthly Project billings. Also, the Millstone and Seabrook Project Participants are liable for their proportionate share of the uninsured costs of a nuclear accident that might be imposed under the Price-Anderson Act, which has been amended and renewed through the end of 2025.

MMWEC is involved in various legal actions, which in the opinion of MMWEC's management, the outcome of such litigation or claims will not have a material adverse effect on its financial position.

The PMLD's pro rata share of the MMWEC's total capital expenditures was \$10,370,324 in 2022. The PMLD was billed \$584,409 for capacity, fuel and transmission costs in 2022.

Berkshire Wind Cooperative – The PMLD is a member of the Berkshire Wind Cooperation Corporation (the "Cooperative"). The Cooperative was formed by the MMWEC and sixteen municipal light departments (the "Members") for the purpose of financing, owning, constructing and operating certain wind generation facilities located on Brodie Mountain in the towns of Hancock and Lanesborough, Massachusetts ("Berkshire Wind Facility").

The Cooperative provides wind energy to MMWEC pursuant to the Berkshire Wind Power Purchase Agreement dated May 21, 2008 between MMWEC and the Cooperative. Under this agreement, MMWEC entered into a Power Sales Contract with the Cooperative pursuant to which MMWEC has agreed to purchase 100% of the capacity and energy output and, to the extent uncommitted to any third party under existing agreements, associated environmental energy attributes of a wind power generating facility to be owned, constructed and operated by the Cooperative at the Berkshire Wind Facility.

The Berkshire Wind Facility is comprised of two phases. Phase 1 is comprised of ten 1.5-megawatt wind turbines, which have been commercially operating since 2011. Phase 2 is comprised of two 2.3-megawatt wind turbines, which began commercial operation in November 2019.

MMWEC sells all of the capability of the Berkshire Wind Facility ("Capability") to the Members under PPAs. Among other things, the PPAs require each Member to pay its pro rata share of the costs related to the Berkshire Wind Facility, which costs include debt service on the bonds issued by the Cooperative to finance the Berkshire Wind Facility and its pro rata share of the operation and maintenance costs of the Berkshire Wind Facility. In addition, should a Cooperative Member fail to make any payment when due, other cooperative members may be required to increase (step-up) their payments and correspondingly their share of the Capability to an additional amount. Additionally, each Participant is unconditionally obligated to make all payments due to the Berkshire Wind Cooperative Corporation, whether or not the Berkshire Wind Facility is completed or operating, and notwithstanding the suspension or interruption of the output of the Berkshire Wind Facility.

The total capital expenditures, debt service and operations and maintenance costs associated with the PMLD's pro rata share (4.212%) of the Berkshire Wind Facility in which it participates for the year ended December 31, 2022 were \$2,330,102, \$203,861 and \$90,207, respectively.

Future expected debt service payments relative to the Berkshire Wind Cooperative are as follows:

For Years Ending December 31,

2023	\$ 203,840
2024	204,103
2025	203,798
2026	203,987
2027	203,998
2027 to 2030	<u>611,561</u>
	<u>\$ 1,631,287</u>

Other Power Supply – PMLD has entered into an All Requirements Bulk Power Sales Agreement (the “All Requirements Agreement”) with MMWEC, under which MMWEC provides, delivers and sells all electric power and energy to PMLD, whether through owned generation, purchase power contracts or other power supply arrangements.

Under the terms of the All Requirements Agreement, PMLD is committed to purchase additional power through MMWEC in the following amounts:

For Years Ending December 31,

2023	\$ 292,714
2024	16,909
2025	<u>14,043</u>
	<u>\$ 323,666</u>

E. Transactions Between Town and PMLD

In calendar year 2022, PMLD billed the Town \$223,850 for electricity. At December 31, 2022, \$7,601 in receivables from the Town was included in PMLD’s accounts receivable balance.

PMLD reimbursed the Town \$341,401 in calendar year 2022 for various services such as police details, public works services, insurance and retirement costs.

IV. Implementation of GASB Pronouncements

A. Current Year Implementations

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement was to standardize the reporting of conduit debt obligations by issuers by clarifying the existing definition of conduit debt obligation, among other matters. As amended, the provisions of this Statement became effective in fiscal year 2023. The adoption of this accounting standard did not have a material effect on the Town's financial statements.

In March 2020, the GASB issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement was to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. The provisions of this Statement became effective in fiscal year 2023. The adoption of this accounting standard did not have a material effect on the Town's financial statements.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement was to address accounting for subscription-based information technology arrangements to government end users based on the standards established in Statement No. 87, as amended. The provisions of this Statement became effective in fiscal year 2023. The adoption of this accounting standard did not have a material effect on the Town's financial statements.

B. Future Year Implementations

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

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

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TOWN OF PAXTON, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
TOWN PENSION PLAN**

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

(dollar amounts are in thousands)

Year Ended June 30,	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	1.229%	\$ 12,642	\$ 3,697	342.0%	48.2%
2022	1.236%	10,410	3,586	290.3%	56.2%
2021	1.245%	11,062	3,761	294.1%	50.3%
2020	1.258%	11,200	3,475	322.3%	47.4%
2019	1.175%	11,657	2,848	409.3%	43.1%
2018	1.183%	9,648	3,037	317.7%	46.4%
2017	0.991%	8,300	2,963	280.1%	42.0%
2016	0.989%	7,061	2,610	270.5%	44.5%
2015	1.052%	6,258	2,509	249.4%	47.9%

SCHEDULE OF THE TOWN'S CONTRIBUTIONS TO THE PENSION PLAN

(dollar amounts are in thousands)

Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	\$ 1,000	\$ 1,000	\$ -	\$ 3,697	27.0%
2022	914	914	-	3,586	25.5%
2021	838	838	-	3,761	22.3%
2020	766	766	-	3,475	22.0%
2019	654	654	-	2,848	23.0%
2018	599	599	-	3,037	19.7%
2017	481	481	-	2,963	16.2%
2016	445	445	-	2,610	17.0%
2015	416	416	-	2,509	16.6%

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

See accompanying independent auditors' report.

TOWN OF PAXTON, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN - TOWN**

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

(dollar amounts in thousands)

	Year Ended June 30,					
	2023	2022	2021	2020	2019	2018
Total OPEB Liability:						
Service cost	\$ 103	\$ 97	\$ 223	\$ 199	\$ 236	\$ 221
Interest	88	138	77	111	107	123
Experience differences	(39)	(1,426)	(267)	101	(87)	(332)
Benefit payments	(88)	(100)	(114)	(96)	(76)	(75)
Net Change in Total OPEB Liability	64	(1,291)	(81)	315	180	(63)
Total OPEB Liability:						
Beginning of year	2,154	3,445	3,526	3,211	3,031	3,094
End of year (a)	<u>\$ 2,218</u>	<u>\$ 2,154</u>	<u>\$ 3,445</u>	<u>\$ 3,526</u>	<u>\$ 3,211</u>	<u>\$ 3,031</u>
Plan Fiduciary Net Position:						
Contributions	\$ 88	\$ 100	\$ 80	\$ 96	\$ 110	\$ 76
Net investment (loss) income	-	-	-	(1)	1	-
Benefit payments	(88)	(100)	(114)	(96)	(76)	(76)
Net Change in Plan Fiduciary Net Position	-	-	(34)	(1)	35	-
Plan Fiduciary Net Position:						
Beginning of year	-	-	34	35	-	-
End of year (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34</u>	<u>\$ 35</u>	<u>\$ -</u>
Net OPEB Liability — End of Year (a) - (b)	<u>\$ 2,218</u>	<u>\$ 2,154</u>	<u>\$ 3,445</u>	<u>\$ 3,492</u>	<u>\$ 3,176</u>	<u>\$ 3,031</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.0%	0.0%	0.0%	1.0%	1.1%	0.0%
Covered payroll	\$ 3,924	\$ 3,810	\$ 3,699	\$ 3,919	\$ 2,254	\$ 2,210
Net OPEB Liability as a Percentage of Covered Payroll	56.5%	56.5%	93.1%	89.1%	140.9%	137.1%
Annual money-weighted rate of return, net of investment expenses	N/A	N/A	N/A	-4.35%	7.15%	N/A

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

See accompanying independent auditors' report.

TOWN OF PAXTON, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN - ELECTRIC**

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

(dollar amounts are in thousands)

	Year Ended December 31,					
	2022	2021	2020	2019	2018	2017
Total OPEB Liability:						
Service cost	\$ 33	\$ 29	\$ 28	\$ 28	\$ 28	\$ 25
Interest	38	37	35	34	62	25
Experience differences	(162)	-	30	-	(505)	-
Changes in assumptions	115	52	(11)	-	(15)	-
Benefit payments	<u>(30)</u>	<u>(27)</u>	<u>(39)</u>	<u>(41)</u>	<u>(38)</u>	<u>(15)</u>
Net Change in Total OPEB Liability	<u>(6)</u>	<u>91</u>	<u>43</u>	<u>21</u>	<u>(468)</u>	<u>35</u>
Total OPEB Liability:						
Beginning of year	<u>711</u>	<u>620</u>	<u>577</u>	<u>556</u>	<u>1,024</u>	<u>989</u>
End of year (a)	<u>\$ 705</u>	<u>\$ 711</u>	<u>\$ 620</u>	<u>\$ 577</u>	<u>\$ 556</u>	<u>\$ 1,024</u>
Plan Fiduciary Net Position:						
Contributions	\$ 30	\$ (6)	\$ 39	\$ 47	\$ 50	\$ 15
Net investment income (loss)	(137)	113	107	130	(28)	30
Benefit payments	<u>(30)</u>	<u>(27)</u>	<u>(39)</u>	<u>(41)</u>	<u>(38)</u>	<u>(15)</u>
Net Change in Plan Fiduciary Net Position	<u>(137)</u>	<u>80</u>	<u>107</u>	<u>136</u>	<u>(16)</u>	<u>30</u>
Plan Fiduciary Net Position:						
Beginning of year	<u>981</u>	<u>901</u>	<u>795</u>	<u>659</u>	<u>675</u>	<u>645</u>
End of year (b)	<u>\$ 844</u>	<u>\$ 981</u>	<u>\$ 902</u>	<u>\$ 795</u>	<u>\$ 659</u>	<u>\$ 675</u>
Net OPEB (Asset) Liability —						
End of Year (a) - (b)	<u>\$ (139)</u>	<u>\$ (270)</u>	<u>\$ (282)</u>	<u>\$ (218)</u>	<u>\$ (103)</u>	<u>\$ 349</u>
Plan Fiduciary Net Position as a						
Percentage of the Total OPEB Liability	119.7%	138.0%	145.5%	137.8%	118.5%	65.9%
Covered payroll	\$ 573	\$ 627	\$ 609	\$ 603	\$ 585	\$ 672
Net OPEB (Asset) Liability as a						
Percentage of Covered Payroll	-24.3%	-43.1%	-46.3%	-36.2%	-17.6%	51.9%

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

See accompanying independent auditors' report.

TOWN OF PAXTON, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN - ELECTRIC**

SCHEDULE OF CONTRIBUTIONS

(dollar amounts are in thousands)

Year Ended December 31,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially- Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2022	\$ 33	\$ 30	\$ 3	\$ 573	5.2%
2021	29	(7)	36	627	-1.1%
2020	15	40	(25)	609	6.6%
2019	13	47	(34)	603	7.8%
2018	52	50	2	585	8.5%
2017	47	15	32	672	2.2%

SCHEDULE OF INVESTMENT RETURNS

Year Ended December 31,	Annual Money- Weighted Rate of Return (net of investment expenses)
2022	-13.95%
2021	12.76%
2020	13.43%
2019	19.61%
2018	-4.18%
2017	4.61%

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

See accompanying independent auditors' report.

TOWN OF PAXTON, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual		Actual	Positive
	Original	Final	Budgetary	Articles and	Budgetary	(Negative)
	Budget	Budget	Amounts	Encumbrances	Adjusted	Variance
Revenues:						
Property taxes, net of tax refunds	\$ 12,368,520	\$ 12,368,520	\$ 12,380,355	\$ -	\$ 12,380,355	\$ 11,835
Intergovernmental	772,292	772,292	776,579	-	776,579	4,287
Motor vehicle and other excise taxes	696,000	696,000	786,600	-	786,600	90,600
Licenses and permits	75,700	75,700	95,336	-	95,336	19,636
Penalties and interest on taxes	19,000	19,000	27,237	-	27,237	8,237
Fines and forfeitures	14,000	14,000	14,994	-	14,994	994
Departmental and other revenues	502,755	502,755	570,114	-	570,114	67,359
Investment income	4,000	4,000	29,951	-	29,951	25,951
Total Revenues	14,452,267	14,452,267	14,681,166	-	14,681,166	228,899
Expenditures:						
General government	1,189,444	1,189,444	1,052,013	\$ 16,974	1,068,987	120,457
Public safety	2,497,533	2,497,533	2,436,768	-	2,436,768	60,765
Education	7,665,853	7,665,853	7,660,653	5,200	7,665,853	-
Public works	1,709,384	1,709,384	1,577,072	84,429	1,661,501	47,883
Health and human services	99,340	99,340	88,303	-	88,303	11,037
Culture and recreation	308,672	308,672	228,628	79,969	308,597	75
Pension and fringe benefits	1,417,240	1,417,240	1,331,988	-	1,331,988	85,252
State and county charges	47,116	47,116	46,916	-	46,916	200
Debt service	683,173	683,173	678,471	-	678,471	4,702
Total Expenditures	15,617,755	15,617,755	15,100,812	\$ 186,572	15,287,384	330,371
Other Financing Sources (Uses):						
Transfers in	356,000	356,000	384,034		384,034	28,034
Total Other Financing Sources (Uses)	356,000	356,000	384,034		384,034	28,034
(Deficiency) Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(809,488)	(809,488)	\$ (35,612)		\$ (222,184)	\$ 587,304
Other Budgetary Items:						
Prior year articles and encumbrances	119,633	119,633				
Free cash	689,855	689,855				
Total Other Budgetary Items	809,488	809,488				
Net Budget	\$ -	\$ -				

See notes to required supplementary information.

See accompanying independent auditors' report.

TOWN OF PAXTON, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2023

An annual budget is legally adopted for the general fund. Financial orders are initiated by the Town Administrator, recommended by the Town Finance Committee and approved by Town Meeting. Expenditures may not legally exceed appropriations at the department level or in the categories of personnel and non-personnel expenses. At the close of each fiscal year, unencumbered appropriation balances lapse and revert to unassigned fund balance.

The Town's general fund is prepared on a basis of accounting other than GAAP to conform to the Uniform Municipal Accounting System basis of accounting as prescribed by the Massachusetts Department of Revenue.

A reconciliation of the budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2023, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues — budgetary basis			\$ 14,681,166
Stabilization revenue	\$ -	\$ 5,338	5,338
Revenue recognition	(4,166)	-	(4,166)
Revenues — GAAP basis	<u>\$ (4,166)</u>	<u>\$ -</u>	<u>\$ 14,682,338</u>
Other Financing Sources (Uses) — budgetary basis			\$ 384,034
Transfer treatment - stabilization	\$ -	\$ (46,000)	(46,000)
Other Financing Sources (Uses) — GAAP basis	<u>\$ -</u>	<u>\$ (46,000)</u>	<u>\$ 338,034</u>