

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF MENDON, MASSACHUSETTS

Basic Financial Statements
and
Additional Information

Year Ended June 30, 2023



TOWN OF MENDON, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Select Board
Town of Mendon, Massachusetts

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the 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 in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, 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 part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers these to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
March 22, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the Town of Mendon, Massachusetts (the "Town"), we offer readers of the Town's financial statements this discussion 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 Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by nearly \$17.7 million (total net position) at June 30, 2023. This represents an increase of approximately \$1.5 million from the prior year.
- The Town, like so many other Massachusetts communities, continues to report a deficit in its unrestricted net position in its governmental activities. This deficit increased approximately \$247,000 in fiscal year 2023 to over \$11.8 million. Included in this deficit is approximately \$16.4 million (\$14.6 million in the prior year) in net other postemployment benefits and net pension liabilities.
- As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of nearly \$8.0 million, which is approximately \$160,000 greater than the prior year. The Town reported increases in fund balances in its general and community preservation funds of approximately \$317,000 and \$273,000, respectively. The fund balance in the Town's nonmajor governmental funds decreased nearly \$430,000 year-over-year.
- Of the ending fund balance in the Town's governmental funds, approximately \$2.2 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, the unassigned fund balance for the general fund was approximately 12% of the total current year general fund expenditures. The total general fund balance was over 16% of the total current year general fund expenditures.
- The Town's total long-term debt decreased over \$660,000 in 2023, which was due to normal, scheduled debt principal repayments.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains other 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 government’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick 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 through a regional school district, health and human services, culture and recreation, fringe benefits and debt service. The business-type activities of the Town consist of its water activities.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, 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 will be reported in the general fund or 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 several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, community preservation fund and ARPA grant fund. 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. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water enterprise fund.

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 a budget to actual comparison for the current year's general fund operations.

Government-Wide Financial Analysis

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>June 30,</u> <u>2023</u>	<u>June 30,</u> <u>2022</u>	<u>June 30,</u> <u>2023</u>	<u>June 30,</u> <u>2022</u>	<u>June 30,</u> <u>2023</u>	<u>June 30,</u> <u>2022</u>
Assets:						
Current and other assets	\$ 12,967,307	\$ 11,185,620	\$ 78,264	\$ 74,479	\$ 13,045,571	\$ 11,260,099
Capital assets, net	<u>30,662,148</u>	<u>29,552,712</u>	<u>682,481</u>	<u>765,974</u>	<u>31,344,629</u>	<u>30,318,686</u>
Total Assets	<u>43,629,455</u>	<u>40,738,332</u>	<u>760,745</u>	<u>840,453</u>	<u>44,390,200</u>	<u>41,578,785</u>
Deferred Outflows of Resources	<u>1,828,686</u>	<u>1,473,167</u>	<u>-</u>	<u>-</u>	<u>1,828,686</u>	<u>1,473,167</u>
Liabilities:						
Long-term liabilities	23,286,720	21,990,939	-	-	23,286,720	21,990,939
Other liabilities	<u>4,093,253</u>	<u>2,491,578</u>	<u>45,980</u>	<u>70,958</u>	<u>4,139,233</u>	<u>2,562,536</u>
Total Liabilities	<u>27,379,973</u>	<u>24,482,517</u>	<u>45,980</u>	<u>70,958</u>	<u>27,425,953</u>	<u>24,553,475</u>
Deferred Inflows of Resources	<u>1,098,732</u>	<u>2,325,285</u>	<u>-</u>	<u>-</u>	<u>1,098,732</u>	<u>2,325,285</u>
Net Position:						
Net investment in capital assets	22,859,119	21,515,838	682,481	765,974	23,541,600	22,281,812
Restricted	5,949,844	5,441,655	-	-	5,949,844	5,441,655
Unrestricted	<u>(11,829,527)</u>	<u>(11,553,796)</u>	<u>32,284</u>	<u>3,521</u>	<u>(11,797,243)</u>	<u>(11,550,275)</u>
Total Net Position	<u>\$ 16,979,436</u>	<u>\$ 15,403,697</u>	<u>\$ 714,765</u>	<u>\$ 769,495</u>	<u>\$ 17,694,201</u>	<u>\$ 16,173,192</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's net position increased approximately \$1.5 million year-over-year. This increase was comprised of a nearly \$1.6 million increase in net position in the Town's governmental activities offset by an approximate \$55,000 decrease in net position in the Town's business-type activities.

The largest portion of the Town's net position (approximately \$23.6 million) reflects its investment in capital assets, less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (approximately \$5.9 million) represents resources that are subject to external restrictions on how they may be used.

The remaining net position is unrestricted and is presented as a deficit balance. The Town reports a deficit unrestricted net position of nearly \$11.8 million. This deficit is primarily the result of an approximate \$4.9 million net other postemployment benefit liability and \$11.5 million net pension liability at June 30, 2023. The Town expects to continue to maintain a deficit in its unrestricted net position for the foreseeable future.

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

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 2,262,539	\$ 1,568,675	\$ 196,903	\$ 175,216	\$ 2,459,442	\$ 1,743,891
Operating grants and contributions	928,074	923,081	-	-	928,074	923,081
Capital grants and contributions	352,658	140,411	-	-	352,658	140,411
General revenues:						
Property taxes	19,429,694	18,988,596	-	-	19,429,694	18,988,596
Excise taxes	1,457,289	1,333,326	-	-	1,457,289	1,333,326
Intergovernmental	473,385	449,132	-	-	473,385	449,132
Other	301,891	61,535	691	-	302,582	61,535
Total Revenues	<u>25,205,530</u>	<u>23,464,756</u>	<u>197,594</u>	<u>175,216</u>	<u>25,403,124</u>	<u>23,639,972</u>
Expenses:						
General government	2,348,305	1,569,816	-	-	2,348,305	1,569,816
Public safety	5,362,397	3,022,447	-	-	5,362,397	3,022,447
Education	12,323,120	12,000,735	-	-	12,323,120	12,000,735
Public works	1,770,190	1,565,386	-	-	1,770,190	1,565,386
Health and human services	807,713	715,670	-	-	807,713	715,670
Culture and recreation	785,484	563,886	-	-	785,484	563,886
Interest expense	232,582	197,048	-	-	232,582	197,048
Utility services	-	-	252,324	282,576	252,324	282,576
Total Expenses	<u>23,629,791</u>	<u>19,634,988</u>	<u>252,324</u>	<u>282,576</u>	<u>23,882,115</u>	<u>19,917,564</u>
Change in Net Position	<u>1,575,739</u>	<u>3,829,768</u>	<u>(54,730)</u>	<u>(107,360)</u>	<u>1,521,009</u>	<u>3,722,408</u>
Net Position:						
Beginning of year	<u>15,403,697</u>	<u>11,573,929</u>	<u>769,495</u>	<u>876,855</u>	<u>16,173,192</u>	<u>12,450,784</u>
End of year	<u>\$ 16,979,436</u>	<u>\$ 15,403,697</u>	<u>\$ 714,765</u>	<u>\$ 769,495</u>	<u>\$ 17,694,201</u>	<u>\$ 16,173,192</u>

Governmental Activities – Total revenues in fiscal year 2023 increased over \$1.7 million, or 7.4%, year-over-year. This increase was due primarily to the following:

- an approximate \$0.7 million increase in charges for services;
- an approximate \$0.4 million increase in property taxes;
- an approximate \$0.2 million increase in other revenues (primarily unrestricted investment income); and
- an approximate \$0.2 million increase in capital grants and contributions.

Property tax revenues continue to be the Town’s largest revenue source and account for approximately 77% and 81% of fiscal year 2023 and 2022 total revenues, respectively. No other revenue source exceeded 10% in fiscal year 2023 or 2022.

Total expenses in fiscal year 2023 increased nearly \$4.0 million. The primary contributor to this increase was the over \$2.2 million increase in noncash personnel benefit expenses associated with pension and other postemployment benefits (“OPEB”), which affects all categories of Town expenses except education, for which the Town’s reported expense consists solely of assessments from the regional and vocational schools that service the Town.

The Town’s largest expense category is education. Education expenses totaled approximately 52% and 61% of total annual expenditures in fiscal years 2023 and 2022, respectively. In terms of gross dollars, education expenses increased over \$0.3 million in fiscal year 2023, which was primarily due to the increase in the Town’s assessment for its regional school district. Public safety expenses represented approximately 23% and 15% annual expenditures in fiscal year 2023 and 2022, respectively. No other expense categories were greater than 10% in fiscal years 2023 or 2022.

Business-Type Activities – Revenues in the Town’s water enterprise increased over \$22,000 year-over-year, while expenses decreased over \$30,000. Noncash depreciation expense of approximately \$83,000 was the primary contributor to the approximate \$55,000 decrease in net position in fiscal year 2023.

Governmental 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 surplus of nearly \$8.0 million, which is an approximate \$160,000 increase from the prior year. The Town reported increases in fund balances in its general and community preservation funds of approximately \$317,000 and \$273,000, respectively. The fund balance in the Town’s nonmajor governmental funds decreased nearly \$430,000 year-over-year.

The governmental funds financial statements reported nearly \$2.2 million in fund balances as 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, the unassigned fund balance of the general fund was approximately \$2.8 million, while total fund balance approached \$3.8 million. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents over 12% of total fiscal year 2023 general fund expenditures, while total fund balance represents over 16% of that same amount.

The fund balance reported in the community preservation fund increased approximately \$273,000 year-over-year. The Town incurred very little expenses in this fund in fiscal year 2023. However, the community preservation fund transferred nearly \$544,000 to the general fund to fund specific articles.

The Town reports its ARPA grant fund as a major governmental fund. The Town did not expend any of the proceeds it received from the ARPA grant fund in fiscal year 2023. The Town reports cash and cash equivalents and unearned revenues of approximately \$1.8 million at June 30, 2023 in this fund.

The fund balance reported in the Town’s nonmajor governmental funds decreased nearly \$430,000 year-over-year. The Town reported an ending fund balance of approximately \$579,000 at June 30, 2023.

Proprietary Funds – The Town’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Fiduciary Fund – The Town’s fiduciary fund is comprised of its OPEB trust fund and private purpose funds. The Town did not make any cash contributions to its OPEB trust fund in fiscal year 2023. The OPEB trust fund reported an approximate 6.98% investment return in fiscal year 2023.

The balance in the private purpose trust funds increased to nearly \$53,000 at June 30, 2023.

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, which includes land, buildings, infrastructure, machinery and equipment, for its governmental and business-type activities as of June 30, 2023 totaled over \$31.3 million, net of accumulated depreciation. This is an increase of approximately \$1.0 million from the prior year as current year additions exceeded depreciation expense.

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

Long-Term Debt – The Town’s total general obligation bonds payable debt decreased \$635,000 in fiscal year 2023 to approximately \$6.8 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 Budgets and Rates

- Net state aid for fiscal year 2023 is expected to increase to approximately \$597,000.
- The Town enters fiscal year 2024 with the following financial reserves:
 - Approximately \$0.7 million in certified free cash;
 - Approximately \$1.1 million in general stabilization funds; and
 - Approximately \$0.2 million in capital stabilization funds.
- Inflation is expected to affect the Town in a number of areas including increased capital acquisition costs and operating expenses.
- The Town’s real estate tax base is made up predominantly of residential taxes, which in 2024 are approximately 90% 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.

Each of these factors were considered in preparing the Town’s budget for the 2024 fiscal year, which was adopted at Town Meeting in May 2023. The Town set its fiscal year 2024 tax rate on November 22, 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, 20 Main Street, Mendon, MA 01756

TOWN OF MENDON, MASSACHUSETTS

STATEMENT OF NET POSITION JUNE 30, 2023

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 7,368,853	\$ 42,899	\$ 7,411,752
Investments	3,779,127	-	3,779,127
Receivables, net of allowances:			
Property taxes	986,516	-	986,516
Excise taxes	100,532	-	100,532
Departmental, user charges and other	155,643	35,365	191,008
Intergovernmental	43,300	-	43,300
Leases	533,336	-	533,336
Land	10,811,628	-	10,811,628
Construction in-progress	1,255,721	-	1,255,721
Depreciable capital assets, net	<u>18,594,799</u>	<u>682,481</u>	<u>19,277,280</u>
Total Assets	<u>43,629,455</u>	<u>760,745</u>	<u>44,390,200</u>
Deferred Outflows of Resources:			
Pensions	<u>1,828,686</u>	<u>-</u>	<u>1,828,686</u>
Total Deferred Outflows of Resources	<u>1,828,686</u>	<u>-</u>	<u>1,828,686</u>

(continued)

TOWN OF MENDON, MASSACHUSETTS

STATEMENT OF NET POSITION JUNE 30, 2023

	Governmental Activities	Business-Type Activities	Total
Liabilities:			
Warrants and accounts payable	\$ 664,533	\$ 45,980	\$ 710,513
Accrued payroll and withholdings	200,865	-	200,865
Retainage payable	40,293	-	40,293
Accrued interest	71,574	-	71,574
Unearned revenue	2,184,978	-	2,184,978
Deposits and escrows	26,118	-	26,118
Noncurrent liabilities:			
Due within one year	904,892	-	904,892
Due in more than one year	23,286,720	-	23,286,720
Total Liabilities	<u>27,379,973</u>	<u>45,980</u>	<u>27,425,953</u>
Deferred Inflows of Resources:			
Unavailable revenues - prepaid taxes	179,563	-	179,563
Leased property	533,336	-	533,336
Pensions	385,833	-	385,833
Total Deferred Inflows of Resources	<u>1,098,732</u>	<u>-</u>	<u>1,098,732</u>
Net Position:			
Net investment in capital assets	22,859,119	682,481	23,541,600
Restricted for:			
Nonexpendable permanent funds	26,299	-	26,299
Expendable permanent funds	30,748	-	30,748
Community preservation	3,653,651	-	3,653,651
Other purposes	2,239,146	-	2,239,146
Unrestricted	<u>(11,829,527)</u>	<u>32,284</u>	<u>(11,797,243)</u>
Total Net Position	<u>\$ 16,979,436</u>	<u>\$ 714,765</u>	<u>\$ 17,694,201</u> <i>(concluded)</i>

See accompanying notes to basic financial statements.

TOWN OF MENDON, 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	\$ 2,348,305	\$ 266,799	\$ 455,478	\$ 121,227	\$ (1,504,801)		\$ (1,504,801)
Public safety	5,362,397	1,249,818	273,682	703	(3,838,194)		(3,838,194)
Education	12,323,120	-	37,016	-	(12,286,104)		(12,286,104)
Public works	1,770,190	501,962	89,079	230,728	(948,421)		(948,421)
Health and human services	807,713	4,675	59,233	-	(743,805)		(743,805)
Culture and recreation	785,484	239,285	13,586	-	(532,613)		(532,613)
Interest expense	232,582	-	-	-	(232,582)		(232,582)
Total Governmental Activities	23,629,791	2,262,539	928,074	352,658	(20,086,520)		(20,086,520)
Business-Type Activities:							
Water	252,324	196,903	-	-		(55,421)	(55,421)
Total Business-Type Activities	252,324	196,903	-	-		(55,421)	(55,421)
Total Primary Government	\$ 23,882,115	\$ 2,459,442	\$ 928,074	\$ 352,658		(55,421)	(20,141,941)
General Revenues:							
Property taxes					19,429,694	-	19,429,694
Motor vehicle and other excise taxes					1,457,289	-	1,457,289
Grants and contributions not restricted to to specific programs					473,385	-	473,385
Penalties and interest on taxes					80,494	-	80,494
Unrestricted investment income					221,397	691	222,088
Total General Revenues and Transfers					21,662,259	691	21,662,950
Change in Net Position					1,575,739	(54,730)	1,521,009
Net Position:							
Beginning of year					15,403,697	769,495	16,173,192
End of year					\$ 16,979,436	\$ 714,765	\$ 17,694,201

See accompanying notes to basic financial statements.

TOWN OF MENDON, MASSACHUSETTS

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

	General Fund	Community Preservation Fund	ARPA Grant Fund	Nonmajor Governmental Funds	Total
Assets:					
Cash and cash equivalents	\$ 2,948,283	\$ 2,396,532	\$ 1,846,098	\$ 177,940	\$ 7,368,853
Investments	1,896,362	1,264,100	-	618,665	3,779,127
Receivables, net of allowances:					
Property taxes	974,195	12,321	-	-	986,516
Excise taxes	100,532	-	-	-	100,532
Departmental, user charges and other	108,581	-	-	47,062	155,643
Intergovernmental	-	-	-	43,300	43,300
Leases	533,336	-	-	-	533,336
Total Assets	6,561,289	3,672,953	1,846,098	886,967	12,967,307
Total Deferred Outflows of Resources	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 6,561,289	\$ 3,672,953	\$ 1,846,098	\$ 886,967	\$ 12,967,307
Liabilities:					
Warrants and accounts payable	\$ 370,220	\$ 3,000	\$ -	\$ 291,313	\$ 664,533
Accrued payroll and withholdings	185,000	-	-	15,865	200,865
Retainage payable	40,293	-	-	-	40,293
Unearned revenue	338,880	-	1,846,098	-	2,184,978
Deposits and escrows	26,118	-	-	-	26,118
Total Liabilities	960,511	3,000	1,846,098	307,178	3,116,787
Deferred Inflows of Resources:					
Prepaid taxes	175,582	3,981	-	-	179,563
Leased property	533,336	-	-	-	533,336
Unavailable revenues - property taxes	925,152	12,321	-	-	937,473
Unavailable revenues - excise taxes	100,532	-	-	-	100,532
Unavailable revenues - departmental and other	108,581	-	-	981	109,562
Total Deferred Inflows of Resources	1,843,183	16,302	-	981	1,860,466
Fund Balances:					
Nonspendable	-	-	-	26,299	26,299
Restricted	2,261	3,653,651	-	1,199,660	4,855,572
Committed	837,149	-	-	-	837,149
Assigned	87,424	-	-	-	87,424
Unassigned	2,830,761	-	-	(647,151)	2,183,610
Total Fund Balances	3,757,595	3,653,651	-	578,808	7,990,054
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 6,561,289	\$ 3,672,953	\$ 1,846,098	\$ 886,967	\$ 12,967,307

See accompanying notes to basic financial statements.

TOWN OF MENDON, MASSACHUSETTS

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

Total Governmental Fund Balances		\$	7,990,054
Capital assets used in governmental activities in the statement of net position are not financial resources and, therefore, are not reported in the funds.			30,662,148
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.			1,327,130
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	1,828,686		
Deferred inflows of resources - prepaid taxes	(179,563)		
Deferred inflows of resources - pensions	(385,833)		
Net effect of reporting deferred outflows and inflows of resources			1,263,290
Interest is accrued on outstanding long-term debt in the statement of net position but not in the funds until due.			(71,574)
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	(4,483,540)		
Net pension liability	(11,508,140)		
Compensated absences	(177,906)		
Lease liabilities	(759,490)		
Bonds and notes payable	(6,879,025)		
Net effect of reporting long-term liabilities			(23,808,101)
Net Position — Governmental Activities		\$	<u>17,362,947</u>

See accompanying notes to basic financial statements.

TOWN OF MENDON, MASSACHUSETTS

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

	General Fund	Community Preservation Fund	ARPA Grant Fund	Nonmajor Governmental Funds	Total
Revenues:					
Property taxes, net of tax refunds	\$ 19,205,196	\$ 451,530	\$ -	\$ -	\$ 19,656,726
Intergovernmental	556,282	347,316	-	790,293	1,693,891
Motor vehicle and other excise taxes	1,502,729	-	-	-	1,502,729
Licenses and permits	302,121	-	-	-	302,121
Penalties and interest on taxes	80,494	-	-	-	80,494
Fines and forfeitures	24,915	-	-	-	24,915
Departmental and other revenues	919,036	-	-	641,007	1,560,043
Contributions and donations	-	-	-	60,226	60,226
Investment income	186,153	33,296	-	1,948	221,397
Total Revenues	<u>22,776,926</u>	<u>832,142</u>	<u>-</u>	<u>1,493,474</u>	<u>25,102,542</u>
Expenditures:					
Current:					
General government	2,626,969	15,700	-	291,583	2,934,252
Public safety	3,216,521	-	-	438,202	3,654,723
Education	12,322,120	-	-	1,000	12,323,120
Public works	1,043,719	-	-	1,102,642	2,146,361
Health and human services	703,617	-	-	37,651	741,268
Culture and recreation	616,638	-	-	161,653	778,291
Pension and fringe benefits	1,917,438	-	-	-	1,917,438
State and county charges	5,030	-	-	-	5,030
Debt service:					
Principal	635,000	-	-	-	635,000
Interest	238,445	-	-	-	238,445
Total Expenditures	<u>23,325,497</u>	<u>15,700</u>	<u>-</u>	<u>2,032,731</u>	<u>25,373,928</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(548,571)</u>	<u>816,442</u>	<u>-</u>	<u>(539,257)</u>	<u>(271,386)</u>
Other Financing Sources (Uses):					
Proceeds from issuances of financing leases	-	-	-	431,483	431,483
Transfers in	865,341	-	-	-	865,341
Transfers out	<u>-</u>	<u>(543,530)</u>	<u>-</u>	<u>(321,811)</u>	<u>(865,341)</u>
Total Other Financing Sources (Uses)	<u>865,341</u>	<u>(543,530)</u>	<u>-</u>	<u>109,672</u>	<u>431,483</u>
Change in Fund Balances	316,770	272,912	-	(429,585)	160,097
Fund Balances:					
Beginning of the year	3,440,825	3,380,739	-	1,008,393	7,829,957
End of the year	<u>\$ 3,757,595</u>	<u>\$ 3,653,651</u>	<u>\$ -</u>	<u>\$ 578,808</u>	<u>\$ 7,990,054</u>

See accompanying notes to basic financial statements.

TOWN OF MENDON, MASSACHUSETTS

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

Net Change in Fund Balances — Total Governmental Funds \$ 160,097

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	2,276,573	
Depreciation/amortization expense	<u>(1,167,137)</u>	
Net effect of reporting capital activity		1,109,436

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. 102,988

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	(431,483)	
Repayments of long-term debt	660,447	
Repayments of lease liabilities	<u>205,742</u>	
Net effect of reporting long-term debt activity		434,706

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	723,853	
Net pension liability	(538,357)	
Compensated absences	(41,229)	
Accrued interest	<u>7,756</u>	
Net effect of reporting long-term liabilities		<u>152,023</u>

Change in Net Position — Governmental Activities \$ 1,959,250

See accompanying notes to basic financial statements.

TOWN OF MENDON, MASSACHUSETTS

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

	<u>Business-Type Activities</u>
	<u>Water</u>
Assets:	
Current Assets:	
Cash and cash equivalents	\$ 42,899
User charges receivable	<u>35,365</u>
Total Current Assets	<u>78,264</u>
Noncurrent Assets:	
Depreciable capital assets, net	<u>682,481</u>
Total Noncurrent Assets	<u>682,481</u>
Total Assets	<u>760,745</u>
 Total Deferred Outflows of Resources	 <u>-</u>
Liabilities:	
Current Liabilities:	
Warrants and accounts payable	<u>45,980</u>
Total Current Liabilities	<u>45,980</u>
 Total Deferred Inflows of Resources	 <u>-</u>
Net Position:	
Net investment in capital assets	682,481
Unrestricted	<u>32,284</u>
Total Net Position	<u>\$ 714,765</u>

See accompanying notes to basic financial statements.

TOWN OF MENDON, MASSACHUSETTS

PROPRIETARY FUNDS

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

	<u>Business-Type Activities</u>
	<u>Water</u>
Operating Revenues:	
Charges for services	\$ 189,153
Other operating revenues	<u>7,750</u>
Total Operating Revenues	<u>196,903</u>
 Operating Expenses:	
Payroll and personnel costs	4,547
Operating costs	164,284
Depreciation	<u>83,493</u>
Total Operating Expenses	<u>252,324</u>
Operating Loss	<u>(55,421)</u>
 Nonoperating Revenues (Expenses):	
Investment income	<u>691</u>
Total Nonoperating Revenues	<u>691</u>
Net Change in Net Position	(54,730)
 Net Position:	
Beginning of the year	<u>769,495</u>
End of the year	<u>\$ 714,765</u>

See accompanying notes to basic financial statements.

TOWN OF MENDON, MASSACHUSETTS

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

	<u>Business-Type Activities</u>
	<u>Water</u>
Cash Flows from Operating Activities:	
Receipts from user charges	\$ 187,860
Receipts from other operating revenues	7,750
Payments to employees	(4,547)
Payments to vendors	<u>(189,262)</u>
Net Cash Provided By Operating Activities	<u>1,801</u>
Cash Flow from Investing Activities:	
Investment income	<u>691</u>
Net Cash Provided By Investing Activities	<u>691</u>
Net Change in Cash and Cash Equivalents	2,492
Cash and Cash Equivalents:	
Beginning of the year	<u>40,407</u>
End of the year	<u><u>\$ 42,899</u></u>
Reconciliation of Operating Loss to Net Cash Provided By Operating Activities:	
Operating Loss	\$ (55,421)
Adjustments to Reconcile Operating Loss to Net Cash Used In Operating Activities:	
Depreciation expense	83,493
Changes in assets, deferred outflows (inflows) of resources and liabilities:	
Receivables and other current assets	(1,293)
Warrants payable and other current liabilities	<u>(24,978)</u>
Net Cash Provided By Operating Activities	<u><u>\$ 1,801</u></u>

See accompanying notes to basic financial statements.

TOWN OF MENDON, MASSACHUSETTS

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

	<u>OPEB Trust</u>	<u>Private Purpose Trust Funds</u>
Assets:		
Cash and cash equivalents	\$ 614	\$ 2,111
Investments in mutual funds, at fair value	<u>164,773</u>	<u>50,662</u>
Total Assets	<u>165,387</u>	<u>52,773</u>
Liabilities:		
Warrants and accounts payable	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>
Net Position:		
Restricted for other postemployment benefits	165,387	-
Held in trust for private purposes	<u>-</u>	<u>52,773</u>
Total Net Position	<u>\$ 165,387</u>	<u>\$ 52,773</u>

See accompanying notes to basic financial statements.

TOWN OF MENDON, MASSACHUSETTS

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

	<u>OPEB Trust</u>	<u>Private Purpose Trust Funds</u>
Additions:		
Employer contributions	\$ 264,823	\$ -
Total investment income, net	<u>10,794</u>	<u>1,332</u>
Total Additions	<u>275,617</u>	<u>1,332</u>
Deductions:		
Benefits to retirees and survivors	<u>264,823</u>	<u>-</u>
Total Deductions	<u>264,823</u>	<u>-</u>
Change in Net Position	10,794	1,332
Net Position:		
Beginning of the year	<u>154,593</u>	<u>51,441</u>
End of the year	<u>\$ 165,387</u>	<u>\$ 52,773</u>

See accompanying notes to basic financial statements.

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

A. Reporting Entity

The Town, which is located in Worcester County, is approximately thirty-four miles southwest of Boston and twenty miles southeast of Worcester. The Town was incorporated as a town in 1667.

The Town operates under an open town meeting form of government with an elected three-member Select Board and an appointed Town Administrator, who manages the Town’s daily executive and administrative duties. Select Board members serve staggered three-year terms. The Town provides governmental services for the territory within its boundaries, including police and fire protection, public education from kindergarten to grade twelve through a regional school district, library, street maintenance, water services, parks and recreational facilities. The Town’s water activities are reported as a business enterprise in the basic annual 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. Pursuant to these criteria there are no component units required to be included in the financial statements.

The Town is a member community of the Mendon-Upton Regional School District (the “District”), which provides educational services to the towns of Mendon and Upton. The District is governed by a six-member school committee consisting of three elected representatives from the Town of Mendon. This joint venture assesses each town its share of operational and debt service costs based on student population and other factors. In fiscal year 2023, the Town’s assessment was \$11,085,878. Complete audited financial statements can be obtained directly from the District’s administrative office located at 150 North Avenue, Mendon, MA 01756.

In addition, the Town is a member community of the Blackstone Valley Regional Technical High School (“BVRTHS”). The BVRTHS is governed by a thirteen-member school committee. The Town of Mendon has one representative on the BVRTHS’ school committee. This joint venture assesses each of the member communities its share of the operational and debt services costs based on student population and other factors. In fiscal year 2023, the Town’s assessment was \$1,236,242. Complete audited financial statements can be obtained directly from BVRTHS’ administrative office located at 65 Pleasant Street, Upton, MA 01568.

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 interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and user charges for support.

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

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

- 1) The total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
- 2) The total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% 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 is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (i) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (ii) 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., when measurable and available). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for interest on general long-term debt, which is recognized when payment is due, certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

The Town considers property tax revenues to be available if they are both material and 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 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, funds must be expended for a specific purpose or project before any amounts will be paid; therefore, revenues are recognized as expenditures are incurred. In the other, funds 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 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.

Community Preservation Fund – is a special revenue fund used to account for the accumulation of resources to purchase open space, provided for affordable housing, or preservation of historical property under the guidelines of the Community Preservation Act of the Massachusetts General Law (“MGL”).

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from 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 water enterprise fund operations as a major proprietary fund.

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 following fiduciary funds:

OPEB Trust Fund – is used to account for funds accumulated by the Town to assist it in its future payments of other postemployment benefits, or OPEB, for retirees, such as health and life insurance.

Private-Purpose Trust Funds – are used to account for trust arrangements, other than those properly reported in the permanent fund (nonmajor governmental funds), under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

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

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

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

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

User charges receivables represent amounts billed for water usage.

Real estate taxes and water usage fees are secured through a lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible accounts for these receivables is not reported. All personal property tax and excise tax receivables are shown net of an allowance for uncollectible accounts, which are comprised of those outstanding amounts greater than five years old, if material. Departmental receivables such as ambulance receivables are shown net of an allowance for uncollectible balances based on historical trends and specific account analysis.

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

Capital Assets – Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles and infrastructure are reported in the government-wide financial statements and the proprietary funds 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 \$15,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of four years or greater. All land acquisitions are capitalized regardless of the dollar amount. 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 using the straight-line method over the following estimated useful lives:

Building and improvements	40 years
Infrastructure	40 years
Machinery and equipment	10 to 20 years
Vehicles	4 to 10 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.

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.

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

Compensated Absences – The Town permits employees to accumulate earned but unused vacation and personal time off. Amounts related to these benefits are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only if they have matured.

Long-Term Debt – Long-term debt is reported as liabilities in the government-wide statement of net position. Bond premiums and discounts, in addition to issuance costs, 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. Issuance costs are exclusively reported as general government expenditures regardless of whether they are withheld from the actual proceeds.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of 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 one item in the government-wide statement of net position which relates to outflows from changes in the net pension liability, which it expects to recognize as pension expense within 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 items related to unearned revenues, leased property and its net pension liability as deferred inflows of resources in its government-wide activities, which it expects to amortize into pension expense within the next five years and will result in reductions in reported pension expense. The Town reports unavailable revenues and unearned revenues and leased property as deferred inflows of resources in its governmental funds financial statements, which will be recognized when these revenues become available.

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

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

Nonexpendable permanent funds represent 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.

Community preservation funds represent financial resources accumulated for community and historical preservation projects.

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

Fund Equity – The Town presents fund balances in its governmental funds using 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 constraints imposed by 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 Town's 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.

E. 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, deferred outflows of resources, liabilities, deferred inflows of resources 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.

F. Reclassification

The June 30, 2022 financial statements included as a major governmental fund the Town's capital projects fund. In fiscal year 2023, this fund no longer qualified as a major governmental fund. The June 30, 2022 fund balance of \$214,665 was reclassified into the beginning fund balance of the City's nonmajor governmental funds in these financial statements.

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 preapproved investment instruments, which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and the Massachusetts Municipal Depository Trust, which is administered by the Treasurer of the Commonwealth. 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.

Custodial Credit Risk: Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk relative to cash holdings. The Town relies on depository insurance at its banking institutions to manage this risk. At June 30, 2023, approximately \$4.1 million in Town bank deposits were not insured by the Federal Deposit Insurance Corporation, the depositors' insurance fund or collateralization agreements and was therefore exposed 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. All the Town's investments are registered in its name and cannot be pledged or assigned. The Town is not exposed to custodial credit risk on its investments.

Fair Value Measurement: 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. Treasury and agency obligations	\$ 700,492	\$ 700,492	\$ -	\$ -
Corporate bonds	<u>1,055,181</u>	<u>-</u>	<u>1,055,181</u>	<u>-</u>
Total debt securities	<u>1,755,673</u>	<u>700,492</u>	<u>1,055,181</u>	<u>-</u>
Equity securities	449,088	449,088	-	-
Mutual funds	<u>258,376</u>	<u>-</u>	<u>258,376</u>	<u>-</u>
Total investments by fair value level	<u>2,463,137</u>	<u>\$ 1,149,580</u>	<u>\$ 1,313,557</u>	<u>\$ -</u>
Investments measured at amortized cost:				
MMDT	<u>1,531,425</u>			
Total investments at fair value	<u>\$ 3,994,562</u>			

Interest Rate Risk: Investments – This is the risk that changes in interest rates will adversely affect the market value of an investment. The Town limits its exposure to interest rate risk by managing the duration of its investments. At June 30, 2023, the Town had the following investment maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity in Years</u>		
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>
Debt securities:				
U.S. government and agency obligations	\$ 700,492	\$ 150,034	\$ 550,458	\$ -
Corporate bonds	<u>1,055,181</u>	<u>309,931</u>	<u>633,812</u>	<u>111,438</u>
Total investments with maturities	<u>1,755,673</u>	<u>\$ 459,965</u>	<u>\$ 1,184,270</u>	<u>\$ 111,438</u>
Investments without maturities:				
Equity securities	449,088			
Mutual funds	<u>258,376</u>			
Total Investments	<u>\$ 3,994,562</u>			

Credit Risk: Investments – The Town has not adopted a formal policy related to credit risk. The Town’s investments had the following ratings by Moody’s Investors Service (“Moody’s”) at year end:

Moody's Rating	U.S. Government and Agency Obligations	Corporate Bonds	Total
Aaa	\$ 700,492	\$ 91,792	\$ 792,284
A1	-	164,976	164,976
A2	-	245,715	245,715
A3	-	111,438	111,438
Baa1	-	244,201	244,201
Baa2	-	197,059	197,059
	<u>\$ 700,492</u>	<u>\$ 1,055,181</u>	<u>\$ 1,755,673</u>

Concentration of Credit Risk: Investments – At June 30, 2023, the Town’s investment in the MMDT represented approximately 38% of its total investments. No other individual investments exceeded 5% of the Town’s total investment balance.

B. Receivables

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
Real estate and personal property taxes	\$ 235,804	\$ -	\$ 235,804
Tax liens	750,712	-	750,712
Motor vehicle and other excise taxes	146,532	(46,000)	100,532
Ambulance	218,617	(138,200)	80,417
Other departmental receivables	75,226	-	75,226
Intergovernmental	43,300	-	43,300
Leases	<u>533,336</u>	<u>-</u>	<u>533,336</u>
	<u>\$ 2,003,527</u>	<u>\$ (184,200)</u>	<u>\$ 1,819,327</u>

The Town did not report any allowance for uncollectible accounts in its water enterprise fund at June 30, 2023.

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 by receivable type:

	General Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total
Real estate and personal property taxes	\$ 183,743	\$ 3,018	\$ -	\$ 186,761
Tax liens	741,409	9,303	-	750,712
Motor vehicle and other taxes	100,532	-	-	100,532
Ambulance	80,417	-	-	80,417
Other departmental receivables	28,164	-	981	29,145
	<u>\$ 1,134,265</u>	<u>\$ 12,321</u>	<u>\$ 1,146,586</u>	<u>\$ 1,158,907</u>

Lease Receivables – The Town leases property to an energy producer with a lease term set to conclude in fiscal year 2038. A lease receivable has been recorded in the Town’s general fund related to this lease agreement. The net present value of future receipts for the leased property totaled \$533,336 at June 30, 2023 and is reported as leases receivable. Lease revenues and interest income related to this lease transaction totaled \$22,218 and \$15,667, respectively, in fiscal year 2023. Future expected lease and interest revenues associated with this lease were as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 23,603	\$ 15,040	\$ 38,643
2025	25,042	14,374	39,416
2026	26,536	13,668	40,204
2027	28,088	12,920	41,008
2028	29,700	12,128	41,828
2029 - 2033	174,924	47,105	222,029
2034 - 2038	225,443	19,694	245,137
Total	<u>\$ 533,336</u>	<u>\$ 134,929</u>	<u>\$ 668,265</u>

C. Capital Assets

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

<u>Governmental Activities</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated/amortized:				
Land	\$ 10,811,628	\$ -	\$ -	\$ 10,811,628
Construction in-progress	174,797	1,080,924	-	1,255,721
Total capital assets not being depreciated/amortized	10,986,425	1,080,924	-	12,067,349
Capital assets being depreciated/amortized:				
Buildings and improvements	11,160,769	12,820	-	11,173,589
Infrastructure	13,935,928	538,362	-	14,474,290
Machinery and equipment	3,072,888	338,943	(149,275)	3,262,556
Vehicles	1,519,241	305,524	(52,447)	1,772,318
Total capital assets being depreciated/amortized	29,688,826	1,195,649	(201,722)	30,682,753
Less accumulated depreciation/amortization for:				
Buildings and improvements	(1,737,023)	(299,914)	-	(2,036,937)
Infrastructure	(6,319,177)	(603,851)	-	(6,923,028)
Machinery and equipment	(2,371,344)	(115,653)	149,275	(2,337,722)
Vehicles	(694,995)	(147,719)	52,447	(790,267)
Total accumulated depreciation/amortization	(11,122,539)	(1,167,137)	201,722	(12,087,954)
Total capital assets being depreciated/amortized, net	18,566,287	28,512	-	18,594,799
Capital assets, net	\$ 29,552,712	\$ 1,109,436	\$ -	\$ 30,662,148
 <u>Business-Type Activities</u>	 <u>Beginning Balances</u>	 <u>Increases</u>	 <u>Decreases</u>	 <u>Ending Balance</u>
Capital assets being depreciated:				
Infrastructure	\$ 3,501,235	\$ -	\$ -	\$ 3,501,235
Total capital assets being depreciated	3,501,235	-	-	3,501,235
Less accumulated depreciation for:				
Infrastructure	(2,735,261)	(83,493)	-	(2,818,754)
Total accumulated depreciation	(2,735,261)	(83,493)	-	(2,818,754)
Total capital assets being depreciated, net	765,974	(83,493)	-	682,481
Capital assets, net	\$ 765,974	\$ (83,493)	\$ -	\$ 682,481

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

General government	\$ 58,381
Public safety	336,944
Public works	694,106
Health and human services	4,249
Culture and recreation	73,457
	<u>\$ 1,167,137</u>

D. Interfund Transfers

In fiscal year 2023, the community preservation fund transferred \$543,530 to the general fund to fund certain capital articles. The nonmajor governmental funds transferred \$202,761 to the general fund to fund certain capital articles and \$119,050 to supplement the general fund budget.

E. Temporary Debt

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

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

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes or state aid anticipation notes. In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount.

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, respectively.

There were no temporary debt transaction activities in fiscal year 2023.

F. Long-Term Obligations

The Town issues general obligation bonds and notes as well as capital leases to provide funds for the acquisition and construction of major capital. In addition, the Town incurs various other long-term obligations relative to personnel costs.

The following reflects the activity in the long-term liability accounts during the fiscal year ended June 30, 2023:

Description of Issue	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
General obligation bonds	\$ 7,400,000	\$ -	\$ (635,000)	\$ 6,765,000	\$ 655,000
Unamortized bond premiums	139,472	-	(25,447)	114,025	23,155
Lease liabilities	533,749	431,483	(205,742)	759,490	164,470
Compensated absences	136,677	41,229	-	177,906	62,267
Net OPEB liability	5,207,393	-	(340,342)	4,867,051	-
Net pension liability	9,434,419	4,842,708	(2,768,987)	11,508,140	-
	<u>\$ 22,851,710</u>	<u>\$ 5,315,420</u>	<u>\$ (3,975,518)</u>	<u>\$ 24,191,612</u>	<u>\$ 904,892</u>

These liabilities will be liquidated by the general fund.

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

Description of Issue	Interest Rate	Beginning Balance	Increases	Decreases	Ending Balance
General obligation bonds	2.00 - 5.00%	\$ 6,575,000	\$ -	\$ (395,000)	\$ 6,180,000
Refunding bonds	3.00 - 3.50%	825,000	-	(240,000)	585,000
		7,400,000	-	(635,000)	6,765,000
Add unamortized bond premiums		139,472	-	(25,447)	114,025
		<u>\$ 7,539,472</u>	<u>\$ -</u>	<u>\$ (660,447)</u>	<u>\$ 6,879,025</u>

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

Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
2024	\$ 655,000	\$ 217,796	\$ 872,796
2025	680,000	196,445	876,445
2026	700,000	174,146	874,146
2027	740,000	151,145	891,145
2028	770,000	126,946	896,946
2029 - 2033	2,265,000	311,306	2,576,306
2034 - 2038	955,000	101,394	1,056,394
Total	<u>\$ 6,765,000</u>	<u>\$ 1,279,178</u>	<u>\$ 8,044,178</u>

Lease Liabilities – The Town is party to noncancellable leases for the purchase of police cruisers, an ambulance and a fire engine. For financial reporting purposes, these leases have been capitalized. Principal and interest requirements to maturity for lease liabilities in which the lease terms are greater than one year are as follows at June 30, 2023:

Fiscal Year Ended June 30,	Principal	Interest	Total
2024	\$ 164,470	\$ 19,480	\$ 183,950
2025	126,784	14,852	141,636
2026	130,100	11,536	141,636
2027	114,397	8,120	122,517
2028	116,992	5,526	122,518
2029 - 2030	106,747	4,327	111,074
	<u>\$ 759,490</u>	<u>\$ 63,841</u>	<u>\$ 823,331</u>

The following summarized leases assets and their related accumulated amortization expense as of June 30, 2023:

<u>Asset Description</u>	
Fire engine	\$ 434,498
Public works vehicles	395,000
Ambulance	209,920
Police cruiser	36,483
Fire vehicle	<u>38,848</u>
Asset values under lease	1,114,749
Less accumulated amortization	<u>(151,975)</u>
Net carrying value	<u><u>\$ 962,774</u></u>

G. Fund Balances

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

	<u>General Fund</u>	<u>Community Preservation Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Nonspendable:				
Nonexpendable trust funds	\$ -	\$ -	\$ 26,299	\$ 26,299
Restricted:				
Expendable trust funds	-	-	30,748	30,748
Community preservation	-	3,653,651	-	3,653,651
General government	-	-	197,697	197,697
Public safety	-	-	507,710	507,710
Education	-	-	1,000	1,000
Public works	-	-	107,703	107,703
Health and human services	-	-	63,057	63,057
Culture and recreation	-	-	282,730	282,730
Debt service	2,261	-	-	2,261
Capital projects	-	-	9,015	
Committed:				
General government	445,866	-	-	445,866
Public safety	181,400	-	-	181,400
Public works	37,136			
Culture and recreation	172,747	-	-	172,747
Assigned:				
Encumbrances	21,115	-	-	21,115
Subsequent year's budget	66,309	-	-	66,309
Unassigned:				
General stabilization	1,090,200	-	-	1,090,200
Capital stabilization	209,709	-	-	209,709
Unrestricted	<u>1,530,852</u>	<u>-</u>	<u>(647,151)</u>	<u>883,701</u>
	<u><u>\$ 3,757,595</u></u>	<u><u>\$ 3,653,651</u></u>	<u><u>\$ 578,808</u></u>	<u><u>\$ 7,943,903</u></u>

The ARPA grant fund is not presented above as it did not maintain a fund balance at June 30, 2023.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use, it is the Town's policy to use committed resources first, then assigned, and then unassigned as they are needed.

Stabilization Funds – The Town maintains both a general and capital stabilization fund. These funds may be used for any municipal purpose (or capital program in the case of the capital stabilization fund) upon a two-thirds vote of the Town Meeting. The balances of these two stabilization funds are reported as unassigned in the general fund.

Encumbrances – The Town's encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal, approved purchasing activity 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.

H. Excess of Expenditures Over Appropriations and Deficits

The Town did not have any instances in which its actual expenditures exceeded appropriation in fiscal year 2023.

The Town reported the following deficits at June 30, 2023:

Chapter 90 roadway projects	\$ 452,733
State grants and other	149,680
Outside police details	<u>44,738</u>
	<u>\$ 647,151</u>

The Town expects to eliminate these deficits through future grants and other revenue sources.

III. Other Information

A. Retirement System

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 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	7,561
Inactive members entitled to, but not receiving benefits	2,197
Inactive members (or beneficiaries) currently receiving benefits	<u>4,270</u>
	<u>14,028</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 creditable 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 creditable 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 are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method. The Town contributed \$909,987 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 30% in fiscal year 2023.

Net Pension Liability – At June 30, 2023, the Town reported a liability of \$11,508,140 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. These figures were updated by the independent actuary 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 used in the latest valuation update.

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's proportion was approximately 1.12% at December 31, 2022 and 2021.

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 \$1,448,345 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
Net difference between projected and actual earnings on pension plan investments	\$ 776,630	\$ -
Changes of assumptions	609,846	-
Difference between expected and actual experience	-	352,179
Changes in proportion and differences between Town contributions and proportionate share of contributions	442,210	33,654
	<u>\$ 1,828,686</u>	<u>\$ 385,833</u>

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

Year ended June 30,

2024	\$ 229,561
2025	359,928
2026	348,616
2027	531,146
2028	(26,398)
	<u>\$ 1,442,853</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:

Inflation	2.4% per year (previously 2.4%)
Salary increases	Group 1: 4.25% - 6.00%, based on service Group 4: 4.75% - 7.00%, based on service
Investment rate of return	7.25%, net of pension plan investment expenses, including inflation
Mortality rates	Based on the RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2020
Disabled life mortality	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:

Asset Class	Target Allocation	Long-Term
		Expected Real Rate of Return
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%
Timberland	4%	4.40%
Portfolio completion	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 calculated using the discount rate of 7.25% as well as the Town's proportionate share of the net pension liability using a discount rate that is 1.0% lower or higher than the current rate:

Current Discount Rate	Net Pension Liability At		
	1% Decrease	Current Rate	1% Increase
7.25%	\$ 14,043,032	\$ 11,508,140	\$ 9,365,051

B. Other Postemployment Benefits

The Town administers a single-employer defined benefit healthcare plan (the “OPEB Plan”). The OPEB Plan provides health and life insurance benefits (other postemployment benefits) to current and future retirees, their dependents and beneficiaries. Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law and Town ordinance. All benefits are provided through the Town’s premium-based insurance program. The OPEB Plan does not issue a stand-alone financial report and is presented as a fiduciary fund in the Town’s financial statements. OPEB Plan disclosures can be found in this footnote disclosure.

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of June 30, 2023:

Inactive employees or beneficiaries receiving benefits	27
Active employees	<u>40</u>
	<u>67</u>

Contributions – The contribution requirements of OPEB Plan members and the Town are established and may be amended by the Town. Retirees contribute between 20% and 25% of the monthly insurance premiums depending on the insurance plan selected; the remainder of the monthly premium and all administrative costs are paid by the Town. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. Additional contributions may be made to the OPEB Plan in varying amounts annually upon approval of the Town’s governing body. For the year ended June 30, 2023, the Town’s average contribution rate was approximately 11% of covered payroll.

Net OPEB Liability – The components of the net OPEB liability of the Town at June 30, 2023 were as follows:

Total OPEB liability	\$ 5,032,438
Less Plan fiduciary net position	<u>165,387</u>
Net OPEB liability	<u>\$ 4,867,051</u>
Plan fiduciary net position as a percentage of the total OPEB liability	3.29%

The Town’s net OPEB liability was measured as of June 30, 2023 and the total OPEB liability used to calculate the 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 following key assumptions were applied to all periods included in the alternative measurement method unless otherwise specified:

Reporting date	June 30, 2023
Actuarial method	Alternative measurement approach
Asset valuation method	Market value of the assets as of the reporting date
Investment rate of return	4.18% per annum, which approximates the 20-year municipal bond rate (previously 4.0%)
Healthcare cost trend rates	5.0% in year 1; 2.8% in year 2; and 4.5% thereafter
Life expectancy	The <i>Life Expectancy Table</i> by gender from the National Center for Health Statistics (updated 2015)

Discount Rate – The rate used to measure the total OPEB liability was 4.18% (previously 4.0%), which represented a yield or index rate for twenty-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2022	\$ 5,361,986	\$ 154,593	\$ 5,207,393
Changes for the year:			
Service cost	165,545	-	165,545
Interest	224,131	-	224,131
Experience differences	(454,401)	-	(454,401)
Employer contributions	-	264,823	(264,823)
Net investment income (loss)	-	10,794	(10,794)
Benefit payments	(264,823)	(264,823)	-
Net changes	(329,548)	10,794	(340,342)
Balances at June 30, 2023	<u>\$ 5,032,438</u>	<u>\$ 165,387</u>	<u>\$ 4,867,051</u>

Sensitivity Analyses – The following presents the Town's net OPEB liability as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1.0% lower or higher than the current discount rate:

Current Discount Rate	Net OPEB Liability At		
	1% Decrease	Current Rate	1% Increase
4.18%	\$ 5,397,561	\$ 4,867,051	\$ 4,375,377

The following presents the Town's net OPEB liability as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1.0% lower higher than the current healthcare cost trend rates:

Current Trend Rates	Net OPEB Liability At		
	1% Decrease	Current Rates	1% Increase
Trending to 4.25%	\$ 4,331,290	\$ 4,867,051	\$ 5,509,906

Investment Custody – The Town Treasurer is the custodian of the OPEB Plan in accordance with MGL. Since the Town has not designated a board of trustees for the OPEB Plan, the Town Treasurer is also the OPEB Plan trustee and as such is responsible for the general supervision of the management, investment and reinvestment of the OPEB Plan assets. OPEB Plan assets may be invested and reinvested by the custodian consistent with the prudent investor rule established in MGL and may, with the approval of the State Retiree Benefits Trust Fund Board of Trustees, be invested in the State Retiree Benefits Trust Fund established under MGL. OPEB Plan assets are segregated from other funds and cannot be subject to the claims of any general creditor of the Town.

Investment Policy – The OPEB Plan does not have a formal investment policy at this time. The OPEB Plan invests its funds in permissible investments as stipulated by the Commonwealth.

Investment Rate of Return – For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 6.98%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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.

D. Commitments and Contingencies

General – The Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability at June 30, 2023 cannot be determined, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town 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”). No provision has been made in the financial statements in the event the Town is unsuccessful in ATB.

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

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

IV. Implementation of New 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.

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

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TOWN OF MENDON, 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	1.119%	\$ 11,508	\$ 3,067	375.2%	48.2%
2022	1.120%	9,434	2,944	320.4%	56.2%
2021	1.067%	9,479	3,057	310.1%	50.3%
2020	1.071%	9,538	2,956	322.7%	47.4%
2019	1.022%	9,264	2,788	332.3%	43.1%
2018	1.026%	8,370	2,674	313.0%	46.4%
2017	0.963%	8,068	2,643	305.3%	42.0%
2016	0.948%	6,728	2,491	270.1%	44.5%
2015	0.895%	5,326	2,395	222.4%	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	\$ 910	\$ 910	\$ -	\$ 3,067	29.7%
2022	829	829	-	2,944	28.2%
2021	718	718	-	3,057	23.5%
2020	652	652	-	2,956	22.1%
2019	569	569	-	2,788	20.4%
2018	519	519	-	2,674	19.4%
2017	468	468	-	2,643	17.7%
2016	426	426	-	2,491	17.1%
2015	354	354	-	2,395	14.8%

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 MENDON, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN**

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

(dollar amounts are in thousands)

	Year Ended June 30,						
	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability:							
Service cost	\$ 165	\$ 127	\$ 338	\$ 327	\$ 237	\$ 241	\$ 196
Interest	224	322	177	165	252	207	156
Differences in experience	(454)	(2,990)	(235)	1,669	(768)	1,013	-
Benefit payments	(265)	(155)	(257)	(252)	(211)	(224)	(169)
Net Change in Total OPEB Liability	(330)	(2,696)	23	1,909	(490)	1,237	183
Total OPEB Liability:							
Beginning of year	5,362	8,058	8,035	6,126	6,616	5,379	5,196
End of year (a)	<u>\$ 5,032</u>	<u>\$ 5,362</u>	<u>\$ 8,058</u>	<u>\$ 8,035</u>	<u>\$ 6,126</u>	<u>\$ 6,616</u>	<u>\$ 5,379</u>
Plan Fiduciary Net Position:							
Contributions	\$ 265	\$ 195	\$ 257	\$ 276	\$ 216	\$ 224	\$ 194
Net investment income (loss)	10	(21)	21	2	4	1	3
Benefit payments	(265)	(155)	(257)	(252)	(211)	(224)	(169)
Change in Plan Fiduciary Net Position	10	19	21	26	9	1	28
Plan Fiduciary Net Position:							
Beginning of year	155	136	115	89	80	79	51
End of year (b)	<u>\$ 165</u>	<u>\$ 155</u>	<u>\$ 136</u>	<u>\$ 115</u>	<u>\$ 89</u>	<u>\$ 80</u>	<u>\$ 79</u>
Net OPEB Liability — End of Year (a) - (b)	<u>\$ 4,867</u>	<u>\$ 5,207</u>	<u>\$ 7,922</u>	<u>\$ 7,920</u>	<u>\$ 6,037</u>	<u>\$ 6,536</u>	<u>\$ 5,300</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	3.3%	2.9%	1.7%	1.4%	1.5%	1.2%	1.5%
Covered payroll	\$ 2,910	\$ 2,486	\$ 2,432	\$ 2,385	\$ 2,218	\$ 2,218	\$ 2,218
Net OPEB Liability as a Percentage of Covered Payroll	167.3%	209.5%	325.7%	332.1%	272.2%	294.7%	239.0%

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 MENDON, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN**

SCHEDULE OF CONTRIBUTIONS

(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	Contribution as a Percentage of Covered Payroll
2023	\$ 344	\$ 264	\$ 80	\$ 2,910	9.1%
2022	396	155	241	2,486	6.2%
2021	606	257	349	2,432	10.6%
2020	531	276	255	2,385	11.6%
2019	457	211	246	2,218	9.5%
2018	420	224	196	2,218	10.1%
2017	369	194	175	2,218	8.7%

Notes to Schedule:

Valuation method	Alternative measurement approach
Asset valuation method	Market value of the assets as of the reporting date
Single equivalent discount rate	4.18% per annum, which approximates the 20-year municipal bond rate (previously 4.0%)
Healthcare cost trend rates	5.0% in year 1; 2.8% in year 2; and 4.5% thereafter
Life expectancy	The <i>Life Expectancy Table</i> by gender from the National Center for Health Statistics (updated 2015)

SCHEDULE OF INVESTMENT RETURNS

Year Ended June 30,	Annual Money- Weighted Rate of Return (net of investment expenses)
2023	6.98%
2022	-12.97%
2021	18.53%
2020	1.71%
2019	5.29%
2018	1.69%
2017	3.28%

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 MENDON, 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 Budget	Final Budget	Budgetary Amounts	Articles and Encumbrances	Budgetary Adjusted	(Negative) Variance
Revenues:						
Property taxes, net of tax refunds	\$ 19,292,299	\$ 19,292,299	\$ 19,395,253		\$ 19,395,253	\$ 102,954
Intergovernmental	565,983	565,983	579,781		579,781	13,798
Motor vehicle and other excise taxes	1,263,253	1,263,253	1,479,230		1,479,230	215,977
Licenses and permits	240,000	240,000	302,121		302,121	62,121
Penalties and interest on taxes	57,000	57,000	80,494		80,494	23,494
Fines and forfeitures	12,000	12,000	24,915		24,915	12,915
Departmental and other revenues	805,300	805,300	1,051,384		1,051,384	246,084
Investment income	18,000	18,000	160,919		160,919	142,919
Total Revenues	<u>22,253,835</u>	<u>22,253,835</u>	<u>23,074,097</u>		<u>23,074,097</u>	<u>820,262</u>
Expenditures:						
General government	3,198,923	3,198,923	2,426,893	\$ 661,272	3,088,165	110,758
Public safety	3,446,943	3,446,943	3,216,521	183,124	3,399,645	47,298
Education	12,332,736	12,332,736	12,322,120	-	12,322,120	10,616
Public works	1,154,827	1,154,827	1,043,719	38,668	1,082,387	72,440
Health and human services	766,045	766,045	703,617	1,750	705,367	60,678
Culture and recreation	814,010	814,010	616,638	173,526	790,164	23,846
Pension and fringe benefits	1,977,349	1,977,349	1,917,438	-	1,917,438	59,911
State and county charges	7,050	7,050	5,030	-	5,030	2,020
Debt service	873,445	873,445	873,445	-	873,445	-
Total Expenditures	<u>24,571,328</u>	<u>24,571,328</u>	<u>23,125,421</u>	<u>\$ 1,058,340</u>	<u>24,183,761</u>	<u>387,567</u>
Other Financing Sources (Uses):						
Transfers in	1,410,341	1,410,341	1,410,341		1,410,341	-
Transfers out	(4,136)	(4,136)	(4,136)		(4,136)	-
Total Other Financing Sources (Uses)	<u>1,406,205</u>	<u>1,406,205</u>	<u>1,406,205</u>		<u>1,406,205</u>	<u>-</u>
(Deficiency) Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(911,288)</u>	<u>(911,288)</u>	<u>\$ 1,354,881</u>		<u>\$ 296,541</u>	<u>\$ 1,207,829</u>
Other Budgetary Items:						
Prior year articles and encumbrances	499,480	499,480				
Free cash	432,924	432,924				
Other items	<u>(21,116)</u>	<u>(21,116)</u>				
Total Other Budgetary Items	<u>911,288</u>	<u>911,288</u>				
Net Budget	<u>\$ -</u>	<u>\$ -</u>				

See notes to required supplementary information.

See accompanying independent auditors' report.

TOWN OF MENDON, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2023

An annual budget is legally adopted for the Town's general fund. The budgets for all departments and operations of the Town, except that of the public-school districts, are prepared under the direction of the Select Board. The schools' budgets are prepared under the direction of the respective school committees. Generally, expenditures may not legally exceed appropriations at the department level. At the close of each fiscal year, unencumbered appropriation balances lapse and revert to unassigned fund balance.

The Town's general fund is prepared using the Uniform Municipal Accounting System basis of accounting as prescribed by the Massachusetts Department of Revenue, which is not GAAP. The "actual" results column of the Schedule of Revenues, Expenditures and Changes in Fund Equity – Budgetary Basis is presented on a budgetary basis to provide a meaningful comparison with the budget. A complete reconciliation is provided below:

	<u>Basis of Accounting Differences</u>	<u>Fund Perspective Differences</u>	<u>Total</u>
Revenues — budgetary basis			\$ 23,074,097
Stabilization revenue	\$ -	\$ 25,234	25,234
Revenue recognition	<u>(322,405)</u>	<u>-</u>	<u>(322,405)</u>
Revenues — GAAP basis	<u>\$ (322,405)</u>	<u>\$ 25,234</u>	<u>\$ 22,776,926</u>
 Expenditures — budgetary basis			\$ 23,125,421
Expense recognition	<u>\$ 200,076</u>	<u>\$ -</u>	<u>200,076</u>
Expenditures — GAAP basis	<u>\$ 200,076</u>	<u>\$ -</u>	<u>\$ 23,325,497</u>
 Net transfers — budgetary basis			\$ 1,406,205
Stabilization transfers	<u>\$ -</u>	<u>\$ (540,864)</u>	<u>(540,864)</u>
Net transfers — GAAP basis	<u>\$ -</u>	<u>\$ (540,864)</u>	<u>\$ 865,341</u>