

**ROSELLI, CLARK & ASSOCIATES**  
Certified Public Accountants

**TOWN OF MENDON, MASSACHUSETTS**

Basic Financial Statements  
and  
Additional Information

Year Ended June 30, 2022



# **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, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2022 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis 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, 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  
February 9, 2023

## 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, 2022. 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 \$16.2 million (total net position) at June 30, 2022. This represents an increase of approximately \$3.7 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 decreased over \$2.6 million in fiscal year 2022. Included in this deficit is approximately \$14.6 million (\$17.4 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 over \$7.8 million, which is approximately \$0.8 million greater than the prior year. The Town reported increases in fund balances in its general and community preservation funds and nonmajor governmental funds. The fund balance in the Town's capital projects fund decreased over \$92,000 in fiscal year 2022 as the Town embarked on a Town Hall campus improvement program in late fiscal year 2022.
- Of the ending fund balance in the Town's governmental funds, approximately \$2.4 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 nearly 16% of the total current year general fund expenditures.
- The Town's total long-term debt decreased nearly \$710,000 in 2022, which was due to normal, scheduled debt principal repayments.
- The Town was awarded approximately \$2.4 million from the federal government under the American Rescue Plan Act ("ARPA") coronavirus local fiscal recovery fund. The use of these monies is less limited than the funding the Town received under the CARES Act and based on current guidance must be obligated by December 31, 2024 and expended by December 31, 2026.

## **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, 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. 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:

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2022	June 30, 2021 (a)	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021 (a)
Assets:						
Current and other assets	\$ 11,185,620	\$ 9,461,942	\$ 74,479	\$ 81,994	\$ 11,260,099	\$ 9,543,936
Capital assets, net	29,552,712	29,598,807	765,974	849,467	30,318,686	30,448,274
Total Assets	40,738,332	39,060,749	840,453	931,461	41,578,785	39,992,210
Deferred Outflows of Resources	1,473,167	1,024,139	-	-	1,473,167	1,024,139
Liabilities:						
Long-term liabilities	21,990,939	25,215,495	-	-	21,990,939	25,215,495
Other liabilities	2,491,578	1,727,200	70,958	54,606	2,562,536	1,781,806
Total Liabilities	24,482,517	26,942,695	70,958	54,606	24,553,475	26,997,301
Deferred Inflows of Resources	2,325,285	1,568,264	-	-	2,325,285	1,568,264
Net Position:						
Net investment in capital assets	21,515,838	21,496,293	765,974	849,467	22,281,812	22,345,760
Restricted	5,441,655	4,289,619	-	-	5,441,655	4,289,619
Unrestricted	(11,553,796)	(14,211,983)	3,521	27,388	(11,550,275)	(14,184,595)
Total Net Position	\$ 15,403,697	\$ 11,573,929	\$ 769,495	\$ 876,855	\$ 16,173,192	\$ 12,450,784

(a) Current and other assets and deferred inflows of resources were revised to conform to current year presentation.

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 \$3.7 million year-over-year. This increase was comprised of a nearly \$3.8 million increase in net position in the Town's governmental activities offset by a \$0.1 million decrease in net position in the Town's business-type activities.

The largest portion of the Town's net position (approximately \$22.3 million) reflects its investment in capital assets, less any related debt (netted down by those amounts expected to be reimbursed by the Commonwealth) used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (approximately \$5.4 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 \$11.6 million. This deficit is primarily the result of an approximate \$5.2 million net other postemployment benefit liability and \$9.4 million net pension liability at June 30, 2022. 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	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 1,568,675	\$ 1,505,106	\$ 175,216	\$ 171,168	\$ 1,743,891	\$ 1,676,274
Operating grants and contributions	923,081	1,012,275	-	-	923,081	1,012,275
Capital grants and contributions	140,411	354,607	-	-	140,411	354,607
General revenues:						
Property taxes	18,988,596	18,304,502	-	-	18,988,596	18,304,502
Excise taxes	1,333,326	1,255,331	-	-	1,333,326	1,255,331
Intergovernmental	449,132	433,944	-	-	449,132	433,944
Other	61,535	73,869	-	-	61,535	73,869
Total Revenues	23,464,756	22,939,634	175,216	171,168	23,639,972	23,110,802
Expenses:						
General government	1,569,816	2,088,631	-	-	1,569,816	2,088,631
Public safety	3,022,447	4,980,429	-	-	3,022,447	4,980,429
Education	12,000,735	11,702,263	-	-	12,000,735	11,702,263
Public works	1,565,386	1,775,452	-	-	1,565,386	1,775,452
Health and human services	715,670	721,435	-	-	715,670	721,435
Culture and recreation	563,886	723,872	-	-	563,886	723,872
Interest expense	197,048	245,023	-	-	197,048	245,023
Utility services	-	-	282,576	256,457	282,576	256,457
Total Expenses	19,634,988	22,237,105	282,576	256,457	19,917,564	22,493,562
Change in Net Position	3,829,768	702,529	(107,360)	(85,289)	3,722,408	617,240
Net Position:						
Beginning of year	11,573,929	10,871,400	876,855	962,144	12,450,784	11,833,544
End of year	\$ 15,403,697	\$ 11,573,929	\$ 769,495	\$ 876,855	\$ 16,173,192	\$ 12,450,784

**Governmental Activities** – Total revenues in fiscal year 2022 increased over \$0.5 million, or 2.3%, from the prior year. This increase was due primarily to growth in property taxes, which increased nearly \$0.7 million, or 3.7%, from the prior year. Capital grants and contributions decreased over \$0.2 million in fiscal year 2022, which was primarily a function of timing of capital reimbursements.

Property tax revenues continue to be the Town's largest revenue source and accounted for approximately 81% and 80% of fiscal year 2022 and 2021 total revenues, respectively. No other revenue source exceeded 10% in fiscal year 2022 or 2021.

Total expenses in fiscal year 2022 decreased over \$2.6 million. The primary contributor to this decrease was the nearly \$3.0 million decrease in noncash personnel benefit expenses associated with pension and 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 61% and 53% of total annual expenditures in fiscal years 2022 and 2021, respectively. In terms of gross dollars, education expenses increased nearly \$0.3 million in fiscal year 2022, which was primarily due to the increase in the Town's assessment for its regional school district. Public safety expenses represented approximately 15% and 22% annual expenditures in fiscal year 2022 and 2021, respectively. No other expense categories were greater than 10% in fiscal years 2022 or 2021.

**Business-Type Activities** – Revenues in the Town's water enterprise increased over \$4,000 year-over-year, while expenses increased over \$26,000. Noncash depreciation expense of approximately \$83,000 was the primary contributor to the approximate \$107,000 decrease in net position in fiscal year 2022.

## **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 over \$7.8 million, which is an approximate \$0.7 million increase from the prior year. This increase was due primarily to increased fund balances in the Town’s general and community preservation funds of approximately \$284,000 and \$438,000, respectively.

The governmental funds financial statements reported over \$2.4 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 \$2.6 million, while total fund balance exceeded \$3.4 million. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 12% of total fiscal year 2022 general fund expenditures, while total fund balance represents nearly 16% of that same amount.

The fund balance reported in the community preservation fund increased approximately \$438,000 year-over-year. The Town incurred very little expenses in this fund in 2022. However, the community preservation fund transferred nearly \$273,000 to the general fund to fund specific articles.

The fund balance reported in the Town’s capital projects fund decreased over \$92,000 year-over-year. The Town began a Town Hall campus renovation project in late 2022, which was the primary contributor to this decrease.

In fiscal year 2022, the Town began reporting the financial position and activity of its ARPA grant fund as a major governmental fund. To date, the Town has expended only \$14,000 of receipts from this federal program. The remaining funds received have been deferred and reported as unearned revenues.

The fund balance reported in the Town’s nonmajor governmental funds increased over \$98,000 year-over-year. The Town reported an ending fund balance of approximately \$794,000 at June 30, 2022.

**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 other postemployment benefits trust fund and private purpose funds. Each fund reported negative investment returns in fiscal year 2022.

### **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.

On a budgetary basis, property tax revenues as well as licenses and permits revenues were lower than budgeted. The Town collected approximately \$239,000 in real estate taxes related to fiscal years 2022 and earlier in the first sixty days of fiscal year 2023. Other than state and county charges, which exceeded budget by \$1,102, all other expenditure categories were within budget.

### **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, 2022 totaled approximately \$30.3 million, net of accumulated depreciation. This is a decrease of approximately \$130,000 from the prior year as 2022 depreciation expense exceeded capital additions.

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

**Long-Term Debt** – The Town’s total general obligation bonds payable debt decreased \$710,000 in fiscal year 2022 to \$7.4 million at June 30, 2022. The Town did not issue any long-term debt instruments in fiscal year 2022.

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 2022 is expected to increase to approximately \$572,000.
- The Town enters fiscal year 2023 with the following financial reserves:
  - Approximately \$166,000 in certified free cash;
  - Approximately \$1.4 million in general stabilization funds; and
  - Approximately \$0.4 million in capital stabilization funds.
- Inflation is expected to affect the Town in a number of areas including increased capital acquisition and borrowings costs, energy prices and operating expenses.
- The Town’s real estate tax base is made up predominantly of residential taxes, which in 2022 are approximately 89% 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 2023 fiscal year, which was adopted at Town Meeting in May 2022. The Town set its fiscal year 2023 tax rate in November 2022.

### **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, 2022

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 6,972,688	\$ 40,407	\$ 7,013,095
Investments	2,128,756	-	2,128,756
Receivables, net of allowances:			
Property taxes	999,556	-	999,556
Excise taxes	145,972	-	145,972
Departmental, user charges and other	166,827	34,072	200,899
Intergovernmental	216,267	-	216,267
Leases	555,554	-	555,554
Land	10,811,628	-	10,811,628
Construction in-progress	174,797	-	174,797
Depreciable capital assets, net	<u>18,566,287</u>	<u>765,974</u>	<u>19,332,261</u>
Total Assets	<u>40,738,332</u>	<u>840,453</u>	<u>41,578,785</u>
Deferred Outflows of Resources:			
Pensions	<u>1,473,167</u>	<u>-</u>	<u>1,473,167</u>
Total Deferred Outflows of Resources	<u>1,473,167</u>	<u>-</u>	<u>1,473,167</u>

*(continued)*

# TOWN OF MENDON, MASSACHUSETTS

## STATEMENT OF NET POSITION JUNE 30, 2022

	Governmental Activities	Business-Type Activities	Total
Liabilities:			
Warrants and accounts payable	\$ 528,192	\$ 70,958	\$ 599,150
Accrued payroll and withholdings	52,079	-	52,079
Accrued interest	79,330	-	79,330
Unearned revenue	916,049	-	916,049
Deposits and escrows	40,365	-	40,365
Other liabilities	14,792	-	14,792
Noncurrent liabilities:			
Due within one year	860,771	-	860,771
Due in more than one year	21,990,939	-	21,990,939
Total Liabilities	<u>24,482,517</u>	<u>70,958</u>	<u>24,553,475</u>
Deferred Inflows of Resources:			
Unavailable revenues - customer prepayments	204,053	-	204,053
Leased property	555,554	-	555,554
Pensions	1,565,678	-	1,565,678
Total Deferred Inflows of Resources	<u>2,325,285</u>	<u>-</u>	<u>2,325,285</u>
Net Position:			
Net investment in capital assets	21,515,838	765,974	22,281,812
Restricted for:			
Nonexpendable permanent funds	26,299	-	26,299
Expendable permanent funds	28,800	-	28,800
Community preservation	3,380,739	-	3,380,739
Other purposes	2,005,817	-	2,005,817
Unrestricted	(11,553,796)	3,521	(11,550,275)
Total Net Position	<u>\$ 15,403,697</u>	<u>\$ 769,495</u>	<u>\$ 16,173,192</u> <i>(concluded)</i>

See accompanying notes to basic financial statements.

**TOWN OF MENDON, MASSACHUSETTS**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 1,569,816	\$ 155,437	\$ 470,067	\$ -	\$ (944,312)		\$ (944,312)
Public safety	3,022,447	699,521	248,044	-	(2,074,882)		(2,074,882)
Education	12,000,735	-	27,485	-	(11,973,250)		(11,973,250)
Public works	1,565,386	481,536	-	140,411	(943,439)		(943,439)
Health and human services	715,670	35,602	166,434	-	(513,634)		(513,634)
Culture and recreation	563,886	196,579	11,051	-	(356,256)		(356,256)
Interest expense	197,048	-	-	-	(197,048)		(197,048)
Total Governmental Activities	19,634,988	1,568,675	923,081	140,411	(17,002,821)		(17,002,821)
Business-Type Activities:							
Water	282,576	175,216	-	-		(107,360)	(107,360)
Total Business-Type Activities	282,576	175,216	-	-		(107,360)	(107,360)
Total Primary Government	\$ 19,917,564	\$ 1,743,891	\$ 923,081	\$ 140,411		(107,360)	(17,110,181)
General Revenues:							
Property taxes					18,988,596	-	18,988,596
Motor vehicle and other excise taxes					1,333,326	-	1,333,326
Grants and contributions not restricted to to specific programs					449,132	-	449,132
Penalties and interest on taxes					56,781	-	56,781
Unrestricted investment income					4,754	-	4,754
Total General Revenues and Transfers					20,832,589	-	20,832,589
Change in Net Position					3,829,768	(107,360)	3,722,408
Net Position:							
Beginning of year					11,573,929	876,855	12,450,784
End of year					\$ 15,403,697	\$ 769,495	\$ 16,173,192

See accompanying notes to basic financial statements.



**TOWN OF MENDON, MASSACHUSETTS**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2022**

	General Fund	Community Preservation Fund	Capital Projects Fund	ARPA Grant Fund	Nonmajor Governmental Funds	Total
<b>Assets:</b>						
Cash and cash equivalents	\$ 3,061,280	\$ 2,198,810	\$ 214,665	\$ 916,049	\$ 581,884	\$ 6,972,688
Investments	838,297	1,182,213	-	-	108,246	2,128,756
Receivables, net of allowances:						
Property taxes	984,855	14,701	-	-	-	999,556
Excise taxes	145,972	-	-	-	-	145,972
Departmental, user charges and other	138,151	-	-	-	28,676	166,827
Intergovernmental	-	-	-	-	216,267	216,267
Leases	555,554	-	-	-	-	555,554
<b>Total Assets</b>	<b>5,724,109</b>	<b>3,395,724</b>	<b>214,665</b>	<b>916,049</b>	<b>935,073</b>	<b>11,185,620</b>
<b>Total Deferred Outflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 5,724,109</b>	<b>\$ 3,395,724</b>	<b>\$ 214,665</b>	<b>\$ 916,049</b>	<b>\$ 935,073</b>	<b>\$ 11,185,620</b>
<b>Liabilities:</b>						
Warrants and accounts payable	\$ 386,847	\$ -	\$ -	\$ -	\$ 141,345	\$ 528,192
Accrued payroll and withholdings	52,079	-	-	-	-	52,079
Unearned revenue	-	-	-	916,049	-	916,049
Other liabilities	14,792	-	-	-	-	14,792
Deposits and escrows	40,365	-	-	-	-	40,365
<b>Total Liabilities</b>	<b>494,083</b>	<b>-</b>	<b>-</b>	<b>916,049</b>	<b>141,345</b>	<b>1,551,477</b>
<b>Deferred Inflows of Resources:</b>						
Prepaid taxes and fees	203,769	284	-	-	-	204,053
Leased property	555,554	-	-	-	-	555,554
Unavailable revenues - property taxes	745,755	14,701	-	-	-	760,456
Unavailable revenues - excise taxes	145,972	-	-	-	-	145,972
Unavailable revenues - departmental and other	138,151	-	-	-	-	138,151
<b>Total Deferred Inflows of Resources</b>	<b>1,789,201</b>	<b>14,985</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,804,186</b>
<b>Fund Balances:</b>						
Nonspendable	-	-	-	-	26,299	26,299
Restricted	-	3,380,739	214,665	-	925,440	4,520,844
Committed	414,358	-	-	-	-	414,358
Assigned	418,972	-	-	-	-	418,972
Unassigned	2,607,495	-	-	-	(158,011)	2,449,484
<b>Total Fund Balances</b>	<b>3,440,825</b>	<b>3,380,739</b>	<b>214,665</b>	<b>-</b>	<b>793,728</b>	<b>7,829,957</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 5,724,109</b>	<b>\$ 3,395,724</b>	<b>\$ 214,665</b>	<b>\$ 916,049</b>	<b>\$ 935,073</b>	<b>\$ 11,185,620</b>

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, 2022**

Total Governmental Fund Balances		\$ 7,829,957
Capital assets used in governmental activities in the statement of net position are not financial resources and, therefore, are not reported in the funds.		29,552,712
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.		1,248,632
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	1,473,167	
Deferred inflows of resources - prepaid taxes and fees	(204,053)	
Deferred inflows of resources - pensions	<u>(1,565,678)</u>	
Net effect of reporting deferred outflows and inflows of resources		(296,564)
Interest is accrued on outstanding long-term debt in the statement of net position but not in the funds until due.		(79,330)
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	(5,207,393)	
Net pension liability	(9,434,419)	
Compensated absences	(136,677)	
Lease liabilities	(533,749)	
Bonds and notes payable	<u>(7,539,472)</u>	
Net effect of reporting long-term liabilities		<u>(22,851,710)</u>
Net Position — Governmental Activities		<u>\$ 15,403,697</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, 2022**

	General Fund	Community Preservation Fund	Capital Projects Fund	ARPA Grant Fund	Nonmajor Governmental Funds	Total
<b>Revenues:</b>						
Property taxes, net of tax refunds	\$ 18,442,504	\$ 410,949	\$ -	\$ -	\$ -	\$ 18,853,453
Intergovernmental	610,948	293,086	-	14,000	542,767	1,460,801
Motor vehicle and other excise taxes	1,287,051	-	-	-	-	1,287,051
Licenses and permits	283,974	-	-	-	-	283,974
Penalties and interest on taxes	56,781	-	-	-	-	56,781
Fines and forfeitures	12,855	-	-	-	-	12,855
Departmental and other revenues	865,929	-	-	-	376,989	1,242,918
Contributions and donations	-	-	-	-	51,823	51,823
Investment income (loss), net	5,480	-	-	-	(726)	4,754
<b>Total Revenues</b>	<b>21,565,522</b>	<b>704,035</b>	<b>-</b>	<b>14,000</b>	<b>970,853</b>	<b>23,254,410</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	1,619,042	5,762	-	-	231,068	1,855,872
Public safety	3,098,808	-	565,462	-	207,338	3,871,608
Education	12,000,735	-	-	-	-	12,000,735
Public works	987,438	-	-	-	263,264	1,250,702
Health and human services	689,327	-	-	14,000	21,969	725,296
Culture and recreation	393,812	-	-	-	143,525	537,337
Pension and fringe benefits	1,812,405	-	-	-	-	1,812,405
State and county charges	3,602	-	-	-	-	3,602
<b>Debt service:</b>						
Principal	710,000	-	-	-	-	710,000
Interest	231,245	-	-	-	-	231,245
<b>Total Expenditures</b>	<b>21,546,414</b>	<b>5,762</b>	<b>565,462</b>	<b>14,000</b>	<b>867,164</b>	<b>22,998,802</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>19,108</b>	<b>698,273</b>	<b>(565,462)</b>	<b>-</b>	<b>103,689</b>	<b>255,608</b>
<b>Other Financing Sources (Uses):</b>						
Proceeds from issuances of financing leases	-	-	473,346	-	-	473,346
Transfers in	277,955	13,291	-	-	-	291,246
Transfers out	(13,291)	(272,755)	-	-	(5,200)	(291,246)
<b>Total Other Financing Sources (Uses)</b>	<b>264,664</b>	<b>(259,464)</b>	<b>473,346</b>	<b>-</b>	<b>(5,200)</b>	<b>473,346</b>
<b>Change in Fund Balances</b>	<b>283,772</b>	<b>438,809</b>	<b>(92,116)</b>	<b>-</b>	<b>98,489</b>	<b>728,954</b>
<b>Fund Balances:</b>						
Beginning of the year	3,157,053	2,941,930	306,781	-	695,239	7,101,003
End of the year	\$ 3,440,825	\$ 3,380,739	\$ 214,665	\$ -	\$ 793,728	\$ 7,829,957

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, 2022

Net Change in Fund Balances — Total Governmental Funds	\$	728,954
<p>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:</p>		
Capital asset additions	1,037,001	
Depreciation/amortization expense	<u>(1,083,096)</u>	
Net effect of reporting capital activity		(46,095)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.</p>		
		210,346
<p>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:</p>		
Issuance of lease liabilities	(473,346)	
Repayments of long-term debt	737,597	
Repayments of lease liabilities	<u>147,436</u>	
Net effect of reporting long-term debt activity		411,687
<p>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:</p>		
Net other postemployment benefits liability	2,714,188	
Net pension liability	(286,191)	
Compensated absences	90,279	
Accrued interest	<u>6,600</u>	
Net effect of reporting long-term liabilities		<u>2,524,876</u>
Change in Net Position — Governmental Activities	\$	<u>3,829,768</u>

See accompanying notes to basic financial statements.

**TOWN OF MENDON, MASSACHUSETTS**

**PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2022**

	<u>Business-Type Activities</u>
	<u>Water</u>
Assets:	
Current Assets:	
Cash and cash equivalents	\$ 40,407
User charges receivable	<u>34,072</u>
Total Current Assets	<u>74,479</u>
Noncurrent Assets:	
Depreciable capital assets, net	<u>765,974</u>
Total Noncurrent Assets	<u>765,974</u>
Total Assets	<u>840,453</u>
 Total Deferred Outflows of Resources	 <u>-</u>
Liabilities:	
Current Liabilities:	
Warrants and accounts payable	<u>70,958</u>
Total Current Liabilities	<u>70,958</u>
 Total Deferred Inflows of Resources	 <u>-</u>
Net Position:	
Net investment in capital assets	765,974
Unrestricted	<u>3,521</u>
Total Net Position	<u>\$ 769,495</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, 2022**

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	<u>Business-Type Activities</u>
	<u>Water</u>
Operating Revenues:	
Charges for services	\$ 173,063
Other operating revenues	<u>2,153</u>
Total Operating Revenues	<u>175,216</u>
 Operating Expenses:	
Operating costs	199,083
Depreciation	<u>83,493</u>
Total Operating Expenses	<u>282,576</u>
Operating Loss	<u>(107,360)</u>
 Net Position:	
Beginning of the year	<u>876,855</u>
End of the year	<u>\$ 769,495</u>

See accompanying notes to basic financial statements.

**TOWN OF MENDON, MASSACHUSETTS**

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2022**

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	<u>Business-Type Activities</u>
	<u>Water</u>
Cash Flows from Operating Activities:	
Receipts from user charges	\$ 165,442
Receipts from other operating revenues	2,153
Payments to employees	(4,357)
Payments to vendors	<u>(178,374)</u>
Net Cash Used In Operating Activities	<u>(15,136)</u>
 Net Change in Cash and Cash Equivalents	 (15,136)
 Cash and Cash Equivalents:	
Beginning of the year	<u>55,543</u>
End of the year	<u><u>\$ 40,407</u></u>
 Reconciliation of Operating Loss to Net Cash Used In Operating Activities:	
 Operating Loss	 \$ (107,360)
 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	(7,621)
Warrants payable and other current liabilities	<u>16,352</u>
Net Cash Used In Operating Activities	<u><u>\$ (15,136)</u></u>

See accompanying notes to basic financial statements.

**TOWN OF MENDON, MASSACHUSETTS**

**FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2022**

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	<u>OPEB Trust</u>	<u>Private Purpose Trust Funds</u>
Assets:		
Cash and cash equivalents	\$ 293	\$ 30,718
Investments in mutual funds, at fair value	114,300	20,723
Due from general fund	<u>40,000</u>	<u>-</u>
Total Assets	<u>154,593</u>	<u>51,441</u>
Liabilities:		
Warrants and accounts payable	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>
Net Position:		
Restricted for other postemployment benefits	154,593	-
Held in trust for private purposes	<u>-</u>	<u>51,441</u>
Total Net Position	<u>\$ 154,593</u>	<u>\$ 51,441</u>

See accompanying notes to basic financial statements.



**TOWN OF MENDON, MASSACHUSETTS**

**FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
JUNE 30, 2022**

	OPEB Trust	Private Purpose Trust Funds
	<u>          </u>	<u>          </u>
Additions:		
Employer contributions	\$ 194,567	\$ -
Investment income:		
Interest and dividends	8,128	497
Net change in fair value of investments	(28,690)	(3,631)
Less investment management fees	(806)	-
	<u>(21,368)</u>	<u>(3,134)</u>
Total net investment income	<u>(21,368)</u>	<u>(3,134)</u>
Total Additions	<u>173,199</u>	<u>(3,134)</u>
Deductions:		
Benefits to retirees and survivors	<u>154,567</u>	<u>-</u>
Total Deductions	<u>154,567</u>	<u>-</u>
Change in Net Position	18,632	(3,134)
Net Position:		
Beginning of the year	<u>135,961</u>	<u>54,575</u>
End of the year	<u>\$ 154,593</u>	<u>\$ 51,441</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, 2022**

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### **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 reports 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 2022, the Town’s assessment was \$10,921,478. 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 2022, the Town’s assessment was \$1,079,258. 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 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 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”).

*Capital Projects Fund* – is used to account for the purchase or construction of the Town’s capital asset activities.

*ARPA Fund* – was established as a major fund in fiscal year 2022 and 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 that is reported on the government-wide statement of net position which relate 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.

## **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, 2022, \$5,102,094 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, 2022:

Investments by Fair Value Level	June 30, 2022	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Debt securities:				
U.S. Treasury notes	\$ 508,926	\$ 508,926	\$ -	\$ -
U.S. government agency obligations	118,132	-	118,132	-
Corporate bonds	942,723	-	942,723	-
Total debt securities	1,569,781	508,926	1,060,855	-
Equity securities	414,110	414,110	-	-
Mutual funds	279,888	-	279,888	-
Total investments by fair value level	\$ 2,263,779	\$ 923,036	\$ 1,340,743	\$ -

***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, 2022, the Town had the following investment maturities:

Investment Type	Fair Value	Maturity in Years		
		Less than 1	1 to 5	6 to 10
Debt securities:				
U.S. government and agency obligations	\$ 627,058	\$ 215,798	\$ 411,260	\$ -
Corporate bonds	942,723	-	757,011	185,712
Total investments with maturities	1,569,781	\$ 215,798	\$ 1,168,271	\$ 185,712
Investments without maturities:				
Equity securities	414,110			
Mutual funds	279,888			
Total Investments	\$ 2,263,779			

*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	\$ 627,058	\$ 93,064	\$ 720,122
A1	-	95,528	95,528
A2	-	318,367	318,367
Baa1	-	240,713	240,713
Baa2	-	195,051	195,051
	<u>\$ 627,058</u>	<u>\$ 942,723</u>	<u>\$ 1,569,781</u>

*Concentration of Credit Risk: Investments* – At June 30, 2022, none of the Town’s individual investments exceeded 5% of its 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, 2022:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Real estate and personal property taxes	\$ 660,202	\$ -	\$ 660,202
Tax liens	339,354	-	339,354
Motor vehicle and other excise taxes	190,972	(45,000)	145,972
Ambulance	175,450	(90,825)	84,625
Other departmental receivables	82,202	-	82,202
Intergovernmental	216,267	-	216,267
Leases	<u>555,554</u>	<u>-</u>	<u>555,554</u>
	<u>\$ 2,220,001</u>	<u>\$ (135,825)</u>	<u>\$ 2,084,176</u>

The Town did not report any allowance for uncollectible accounts in its water enterprise fund at June 30, 2022.

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	Total
Real estate and personal property taxes	\$ 408,395	\$ 12,707	\$ 421,102
Tax liens	337,360	1,994	339,354
Motor vehicle and other taxes	145,972	-	145,972
Ambulance	84,625	-	84,625
Other departmental receivables	53,526	-	53,526
	<u>\$ 1,029,878</u>	<u>\$ 14,701</u>	<u>\$ 1,044,579</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 \$555,554 at June 30, 2022 and is reported as leases receivable. Lease revenues and interest income related to this lease transaction totaled \$20,886 and \$16,256, respectively, in fiscal year 2022.

### C. Capital Assets

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

Governmental Activities	Beginning Balances	Increases	Decreases	Ending Balance
Capital assets not being depreciated/amortized:				
Land	\$ 10,811,628	\$ -	\$ -	\$ 10,811,628
Construction in-progress	-	174,797	-	174,797
Total capital assets not being depreciated/amortized	<u>10,811,628</u>	<u>174,797</u>	<u>-</u>	<u>10,986,425</u>
Capital assets being depreciated/amortized:				
Buildings and improvements	11,079,538	81,231	-	11,160,769
Infrastructure	13,751,059	184,869	-	13,935,928
Machinery and equipment	3,010,130	62,758	-	3,072,888
Vehicles	985,895	533,346	-	1,519,241
Total capital assets being depreciated/amortized	<u>28,826,622</u>	<u>862,204</u>	<u>-</u>	<u>29,688,826</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(1,439,781)	(297,242)	-	(1,737,023)
Infrastructure	(5,746,865)	(572,312)	-	(6,319,177)
Machinery and equipment	(2,272,848)	(98,496)	-	(2,371,344)
Vehicles	(579,949)	(115,046)	-	(694,995)
Total accumulated depreciation/amortization	<u>(10,039,443)</u>	<u>(1,083,096)</u>	<u>-</u>	<u>(11,122,539)</u>
Total capital assets being depreciated/amortized, net	<u>18,787,179</u>	<u>(220,892)</u>	<u>-</u>	<u>18,566,287</u>
Capital assets, net	<u>\$ 29,598,807</u>	<u>\$ (46,095)</u>	<u>\$ -</u>	<u>\$ 29,552,712</u>

<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	<u>3,501,235</u>	<u>-</u>	<u>-</u>	<u>3,501,235</u>
Less accumulated depreciation for:				
Infrastructure	<u>(2,663,768)</u>	<u>(83,493)</u>	<u>-</u>	<u>(2,747,261)</u>
Total accumulated depreciation	<u>(2,663,768)</u>	<u>(83,493)</u>	<u>-</u>	<u>(2,747,261)</u>
Total capital assets being depreciated, net	<u>837,467</u>	<u>(83,493)</u>	<u>-</u>	<u>753,974</u>
Capital assets, net	<u>\$ 837,467</u>	<u>\$ (83,493)</u>	<u>\$ -</u>	<u>\$ 753,974</u>

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

General government	\$ 51,688
Public safety	316,107
Public works	637,595
Health and human services	4,249
Culture and recreation	<u>73,457</u>
	<u>\$ 1,083,096</u>

#### **D. Interfund Transfers**

The composition of interfund transfers for fiscal year 2022 was as follows:

<u>Transfers Out</u>	<u>Transfers In</u>		<u>Total</u>	
	<u>General Fund</u>	<u>Community Preservation Fund</u>		
General Fund	\$ -	\$ 13,291	\$ 13,291	(1)
Community Preservation Fund	272,755	-	272,755	(2)
Nonmajor Governmental Funds	<u>5,200</u>	<u>-</u>	<u>5,200</u>	(3)
	<u>\$ 277,955</u>	<u>\$ 13,291</u>	<u>\$ 291,246</u>	

- (1) The general fund transferred \$13,291 to the community preservation fund to correct prior period accounting.
- (2) Transfers to fund capital articles in the general fund.
- (3) Transfer to general fund to supplement the 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 2022.

## 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, 2022:

Description of Issue	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
General obligation bonds	\$ 8,110,000	\$ -	\$ (710,000)	\$ 7,400,000	\$ 635,000
Unamortized bond premiums	167,069	-	(27,597)	139,472	25,447
Lease liabilities	207,839	473,346	(147,436)	533,749	152,487
Compensated absences	226,956	-	(90,279)	136,677	47,837
Net OPEB liability	7,921,581	-	(2,714,188)	5,207,393	-
Net pension liability	9,478,575	3,374,203	(3,418,359)	9,434,419	-
	<u>\$ 26,112,020</u>	<u>\$ 3,847,549</u>	<u>\$ (7,107,859)</u>	<u>\$ 22,851,710</u>	<u>\$ 860,771</u>

These liabilities will be liquidated by the general fund.

General obligation bonds and notes outstanding at June 30, 2022 were as follows:

Description of Issue	Interest Rate	Beginning Balance	Increases	Decreases	Ending Balance
General obligation bonds	2.00 - 5.00%	\$ 6,950,000	\$ -	\$ (375,000)	\$ 6,575,000
Refunding bonds	3.00 - 3.50%	1,160,000	-	(335,000)	825,000
		8,110,000	-	(710,000)	7,400,000
Add unamortized bond premiums		167,069	-	(27,597)	139,472
		<u>\$ 8,277,069</u>	<u>\$ -</u>	<u>\$ (737,597)</u>	<u>\$ 7,539,472</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
2023	\$ 635,000	\$ 238,445	\$ 873,445
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 - 2032	2,745,000	397,644	3,142,644
2033 - 2037	1,045,000	135,000	1,180,000
2038	200,000	7,000	207,000
Total	<u>\$ 7,400,000</u>	<u>\$ 1,517,621</u>	<u>\$ 8,917,621</u>

#### G. 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, 2022:

Fiscal Year Ended June 30,	Principal	Interest	Total
2023	\$ 152,487	\$ 14,534	\$ 167,021
2024	109,508	8,383	117,891
2025	70,055	5,522	75,577
2026	71,537	4,040	75,577
2027	64,455	2,525	66,980
2028	65,707	1,275	66,982
	<u>\$ 533,749</u>	<u>\$ 36,279</u>	<u>\$ 570,028</u>

The following summarized leases assets and their related accumulated amortization expense as of June 30, 2022:

Asset Description	
Police cruisers	\$ 195,551
Ambulance	209,920
Fire engine	434,498
Fire vehicle	<u>38,848</u>
Asset values under lease	878,817
Less accumulated amortization	<u>(191,760)</u>
Net carrying value	<u>\$ 687,057</u>

## H. Fund Balances

The components of fund balances as listed in aggregate in the governmental funds balance sheet at June 30, 2022 are as follows:

	General Fund	Community Preservation Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Nonspendable:					
Nonexpendable trust funds	\$ -	\$ -	\$ -	\$ 26,299	\$ 26,299
Restricted:					
Community preservation	-	3,380,739	-	-	3,380,739
General government	-	-	169,393	295,837	465,230
Public safety	-	-	36,368	317,716	354,084
Health and human services	-	-	-	62,486	62,486
Culture and recreation	-	-	-	208,754	208,754
Other purposes	-	-	8,904	40,647	49,551
Committed:					
General government	317,619	-	-	-	317,619
Public works	64,407	-	-	-	64,407
Other purposes	32,332	-	-	-	32,332
Assigned:					
Encumbrances	85,122	-	-	-	85,122
Subsequent year's budget	333,850	-	-	-	333,850
Unassigned:					
General stabilization	1,420,507	-	-	-	1,420,507
Capital stabilization	395,032	-	-	-	395,032
Unrestricted	791,956	-	-	(158,011)	633,945
	<u>\$ 3,440,825</u>	<u>\$ 3,380,739</u>	<u>\$ 214,665</u>	<u>\$ 793,728</u>	<u>\$ 7,829,957</u>

The ARPA grant fund is not presented above as it did not maintain a fund balance at June 30, 2022.

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 balance 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.



## I. Excess of Expenditures Over Appropriations and Deficits

The Town did not have any instances in which its actual expenditures exceeded appropriation in fiscal year 2022.

The Town reported the following deficits in its special revenue funds at June 30, 2022:

Chapter 90 roadway projects	\$ 113,188
Outside police details	<u>44,823</u>
	<u>\$ 158,011</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, 2021 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, 2021 was as follows:

Active members	7,122
Inactive members entitled to, but not receiving benefits	2,714
Inactive members (or beneficiaries) currently receiving benefits	<u>4,112</u>
	<u>13,947</u>

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

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

- Normal retirement generally occurs at age 65. However, participants may retire after twenty years of service or at any time after attaining age 55, if hired prior to April 2, 2012 or at any time after attaining age 60 if hired on or after April 2, 2012. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years’ creditable

service in order to retire at age 55. Participants become vested after ten years of 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 2022.

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 \$828,542 to the Retirement System in fiscal year 2022, which equaled the actuarially-determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll was approximately 28% in fiscal year 2022.

Net Pension Liability – At June 30, 2022, the Town reported a liability of \$9,434,419 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2020 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, 2021. There were no material changes to the Retirement System's benefit terms since the actuarial valuation. The Retirement System changed several actuarial assumptions used in the latest valuation update; the most notable assumption change was a reduction in the discount rate to 7.25% from 7.50%.

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, 2021 versus 1.07% at December 31, 2020.

*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, 2021, 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 \$1,114,733 in pension expense in the statement of activities in fiscal year 2022.

*Deferred Outflows of Resources and Deferred Inflows of Resources* – At June 30, 2022, 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	\$ -	\$ 1,331,042
Changes of assumptions	811,244	-
Difference between expected and actual experience	-	197,320
Changes in proportion and differences between Town contributions and proportionate share of contributions	661,923	37,316
	<u>\$ 1,473,167</u>	<u>\$ 1,565,678</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,

2023	\$ 49,992
2024	(173,580)
2025	(43,056)
2026	(54,315)
2027	128,448
	<u>\$ (92,511)</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 2.2%)
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 (previously 7.5%)
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, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	38%	4.22%
Core fixed income	15%	0.70%
Value-added fixed income	8%	4.00%
Private equity	15%	7.70%
Real estate	10%	3.60%
Timberland	4%	4.20%
Portfolio completion	10%	3.00%

Discount Rate – The discount rate used to measure the total pension liability was 7.25%, which is a reduction from the previous rate of 7.50%. 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%	\$ 11,900,811	\$ 9,434,419	\$ 7,350,375

## B. 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.

## C. 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, 2022:

Inactive employees or beneficiaries receiving benefits	25
Active employees	<u>25</u>
	<u>50</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, 2022, the Town’s average contribution rate was approximately 6% of covered payroll.

Net OPEB Liability – The components of the net OPEB liability of the Town at June 30, 2022 were as follows:

Total OPEB liability	\$ 5,361,986
Plan fiduciary net position	<u>154,593</u>
Net OPEB liability	<u>\$ 5,207,393</u>
Plan fiduciary net position as a percentage of the total OPEB liability	2.88%

The Town's net OPEB liability was measured as of June 30, 2022 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, 2022
Actuarial method	Alternative measurement approach
Asset valuation method	Market value of the assets as of the reporting date
Investment rate of return	4.0% per annum, which approximates the 20-year municipal bond rate (previously 2.2%)
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 4.0% (previously 2.2%), 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, 2022:

	Increase (Decrease)		
	Total OPEB	Plan Fiduciary	Net OPEB
	Liability	Net Position	Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2021	\$ 8,057,542	\$ 135,961	\$ 7,921,581
Changes for the year:			
Service cost	126,841	-	126,841
Interest	322,302	-	322,302
Experience differences	(2,990,132)	-	(2,990,132)
Employer contributions	-	194,567	(194,567)
Net investment income (loss)	-	(21,368)	21,368
Benefit payments	(154,567)	(154,567)	-
Net changes	(2,695,556)	18,632	(2,714,188)
Balances at June 30, 2022	<u>\$ 5,361,986</u>	<u>\$ 154,593</u>	<u>\$ 5,207,393</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
4.00%	\$ 5,789,076	\$ 5,207,393	\$ 4,676,833

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%	\$ 4,639,086	\$ 5,207,393	\$ 5,886,188

Investment Custody – In accordance with MGL, the Town Treasurer is the custodian of the OPEB Plan. Since the Town has not designated a Board of Trustees, 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, 2022, the annual money-weighted rate of return on investments, net of investment expense, was -12.97%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

#### **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, 2022 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, 2022.

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 June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefined the manner in which long-term leases are accounted and reported. As amended, the provisions of this Statement became effective in fiscal year 2022. The adoption of this standard required the Town to increase its beginning balances in accounts receivable and deferred inflows of resources in the amount of \$576,440 in its general fund.

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

In June 2020, the GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The objective of this Statement was to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the



primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The provisions of this Statement became effective in fiscal year 2022. The adoption of this standard did not have a material effect on the Town's financial statements.

## **B. Future Year Implementations**

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to standardize the reporting of conduit debt obligations by issuers by clarifying the existing definition of conduit debt obligation, among other matters. As amended, the provisions of this Statement are effective for financial reporting periods beginning after December 15, 2021 (fiscal year 2023). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

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

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

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

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

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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
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
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,					
	2022	2021	2020	2019	2018	2017
Total OPEB Liability:						
Service cost	\$ 127	\$ 338	\$ 327	\$ 237	\$ 241	\$ 196
Interest	322	177	165	252	207	156
Differences in experience	(2,990)	(235)	1,669	(768)	1,013	-
Benefit payments	(155)	(257)	(252)	(211)	(224)	(169)
Net Change in Total OPEB Liability	(2,696)	23	1,909	(490)	1,237	183
Total OPEB Liability:						
Beginning of year	8,058	8,035	6,126	6,616	5,379	5,196
End of year (a)	<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	\$ 195	\$ 257	\$ 276	\$ 216	\$ 224	\$ 194
Net investment income (loss)	(21)	21	2	4	1	3
Benefit payments	(155)	(257)	(252)	(211)	(224)	(169)
Change in Plan Fiduciary Net Position	19	21	26	9	1	28
Plan Fiduciary Net Position:						
Beginning of year	136	115	89	80	79	51
End of year (b)	<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>\$ 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	2.9%	1.7%	1.4%	1.5%	1.2%	1.5%
Covered payroll	\$ 2,486	\$ 2,432	\$ 2,385	\$ 2,218	\$ 2,218	\$ 2,218
Net OPEB Liability as a Percentage of Covered Payroll	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,					
	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 396	\$ 606	\$ 531	\$ 457	\$ 420	\$ 369
Contributions in relation to the actuarially determined contribution	(155)	(257)	(276)	(211)	(224)	(194)
Contribution deficiency (excess)	\$ 241	\$ 349	\$ 255	\$ 246	\$ 196	\$ 175
Covered payroll	\$ 2,486	\$ 2,432	\$ 2,385	\$ 2,218	\$ 2,218	\$ 2,218
Contribution as a percentage of covered payroll	6.23%	10.57%	11.57%	9.51%	10.10%	8.75%

#### 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	4.0% per annum, which approximates the 20-year municipal bond rate (previously 2.2%)
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,					
	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expenses	-12.97%	18.53%	1.71%	5.29%	1.69%	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, 2022**

	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	\$ 18,526,870	\$ 18,526,870	\$ 18,251,787		\$ 18,251,787	\$ (275,083)
Intergovernmental	538,055	538,055	618,565		618,565	80,510
Motor vehicle and other excise taxes	1,113,804	1,113,804	1,316,191		1,316,191	202,387
Licenses and permits	300,000	300,000	283,974		283,974	(16,026)
Penalties and interest on taxes	65,000	65,000	56,781		56,781	(8,219)
Fines and forfeitures	12,000	12,000	13,490		13,490	1,490
Departmental and other revenues	819,596	819,596	871,995		871,995	52,399
Investment income	18,600	18,600	18,565		18,565	(35)
Total Revenues	<u>21,393,925</u>	<u>21,393,925</u>	<u>21,431,348</u>		<u>21,431,348</u>	<u>37,423</u>
Expenditures:						
General government	2,080,262	2,080,262	1,619,042	\$ 402,741	2,021,783	58,479
Public safety	3,180,351	3,180,351	3,098,808	4,886	3,103,694	76,657
Education	12,006,419	12,006,419	12,000,735	-	12,000,735	5,684
Public works	1,085,830	1,085,830	987,438	64,407	1,051,845	33,985
Health and human services	737,522	737,522	689,327	14,055	703,382	34,140
Culture and recreation	414,705	414,705	393,812	13,391	407,203	7,502
Pension and fringe benefits	1,847,344	1,847,344	1,772,405	-	1,772,405	74,939
State and county charges	2,500	2,500	3,602	-	3,602	(1,102)
Debt service	941,250	941,250	941,245	-	941,245	5
Total Expenditures	<u>22,296,183</u>	<u>22,296,183</u>	<u>21,506,414</u>	<u>\$ 499,480</u>	<u>22,005,894</u>	<u>290,289</u>
Other Financing Sources (Uses):						
Transfers in	277,955	277,955	277,955		277,955	-
Transfers out	(690,000)	(690,000)	(703,291)		(703,291)	(13,291)
Total Other Financing Sources (Uses)	<u>(412,045)</u>	<u>(412,045)</u>	<u>(425,336)</u>		<u>(425,336)</u>	<u>(13,291)</u>
(Deficiency) Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(1,314,303)</u>	<u>(1,314,303)</u>	<u>\$ (500,402)</u>		<u>\$ (999,882)</u>	<u>\$ 314,421</u>
Other Budgetary Items:						
Prior year articles and encumbrances	353,374	353,374				
Free cash	982,651	982,651				
Other items	<u>(21,722)</u>	<u>(21,722)</u>				
Total Other Budgetary Items	<u>1,314,303</u>	<u>1,314,303</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, 2022

An annual budget is legally adopted from the Town's general fund. The budget 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:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues — budgetary basis			\$ 21,431,348
Stabilization revenue	\$ -	\$ (13,085)	(13,085)
Revenue recognition	<u>147,259</u>	<u>-</u>	<u>147,259</u>
Revenues — GAAP basis	<u>\$ 147,259</u>	<u>\$ (13,085)</u>	<u>\$ 21,565,522</u>
Expenditures — budgetary basis			\$ 21,506,414
OPEB transfer treatment	\$ -	\$ 40,000	40,000
Expenditures — GAAP basis	<u>\$ -</u>	<u>\$ 40,000</u>	<u>\$ 21,546,414</u>
Net transfers — budgetary basis			\$ (425,336)
Stabilization transfers	\$ -	\$ 650,000	650,000
OPEB transfer treatment	<u>-</u>	<u>40,000</u>	<u>40,000</u>
Net transfers — GAAP basis	<u>\$ -</u>	<u>\$ 690,000</u>	<u>\$ 264,664</u>