



## **TOWN OF DOUGLAS, MASSACHUSETTS**

Independent Auditor's Reports Pursuant  
to Government Auditing Standards  
and Uniform Guidance

For the Year Ended June 30, 2022

## TABLE OF CONTENTS

|                                                                                                                                                                                                            | <u>Page</u> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| <b>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i></b> | <b>1</b>    |
| <b>Report on Compliance for Each Major Federal Program, Report on Internal Control Over Compliance, and Report on Schedule of Expenditures of Federal Awards Required By the Uniform Guidance</b>          | <b>3</b>    |
| Schedule of Expenditures of Federal Awards                                                                                                                                                                 | 7           |
| Notes to Schedule of Expenditures of Federal Awards                                                                                                                                                        | 8           |
| Schedule of Findings and Questioned Costs                                                                                                                                                                  | 9           |



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

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Selectmen  
Town of Douglas, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Douglas, Massachusetts (the Town), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated February 17, 2023.

**Report on Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Report on Compliance and Other Matters**

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

### **Purpose of This Report**

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



Andover, Massachusetts  
February 17, 2023



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM,  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND  
REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Selectmen  
Town of Douglas, Massachusetts

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the Town of Douglas, Massachusetts's (the Town) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2022. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with 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 opinion on

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compliance for each major federal program. Our audit does not provide a legal determination of Town's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Town's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material, noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over compliance. Accordingly, no such opinion is expressed.



We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Douglas, Massachusetts 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. We issued our report thereon dated February 17, 2023, which contained unmodified opinions on those



financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Andover, Massachusetts  
June 12, 2023

**TOWN OF DOUGLAS, MASSACHUSETTS**

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2022

| <i><b>Federal Agency</b></i>                                                       | <b>Federal</b>    | <b>Pass Through</b>         |                     | <b>Passed</b>       |
|------------------------------------------------------------------------------------|-------------------|-----------------------------|---------------------|---------------------|
| <b>Cluster</b>                                                                     | <b>Assistance</b> | <b>Identifying</b>          | <b>Federal</b>      | <b>Through to</b>   |
| <b>Pass-through Agency</b>                                                         | <b>Listing</b>    | <b>Number</b>               | <b>Expenditures</b> | <b>Subrecipient</b> |
| <b>Program Title</b>                                                               | <b>Number</b>     | <b>Number</b>               |                     |                     |
| <i><b>U.S. Department of Agriculture</b></i>                                       |                   |                             |                     |                     |
| Child Nutrition Cluster                                                            |                   |                             |                     |                     |
| Passed Through the Massachusetts Department of Elementary and Secondary Education  |                   |                             |                     |                     |
| National School Breakfast Program                                                  | 10.553            | DOENUT2022                  | \$ 90,667           | \$ -                |
| National School Lunch Program - Cash Assistance                                    | 10.555            | DOENUT2022                  | 468,941             | -                   |
| National School Lunch Program - Non-Cash Assistance                                | 10.555            | DOENUT2022                  | 90,708              | -                   |
| Child Nutrition Discretionary Grants                                               | 10.579            | 722-672423-2022-0077        | 11,254              | -                   |
| Pandemic EBT Administrative Costs                                                  | 10.649            | FY22 SCHOOL EBT ADMIN REIMB | 2,456               | -                   |
| Total Child Nutrition Cluster                                                      |                   |                             | 664,026             | -                   |
| Total U.S. Department of Agriculture                                               |                   |                             | 664,026             | -                   |
| <i><b>U.S. Department of Justice</b></i>                                           |                   |                             |                     |                     |
| Direct Federal Program                                                             |                   |                             |                     |                     |
| Equitable Sharing Program                                                          | 16.922            | N/A                         | 35,947              | -                   |
| Total U.S. Department of Justice                                                   |                   |                             | 35,947              | -                   |
| <i><b>U.S. Department of Transportation</b></i>                                    |                   |                             |                     |                     |
| Passed Through the Massachusetts Executive Office of Public Safety                 |                   |                             |                     |                     |
| State and Community Highway Safety                                                 | 20.600            | PD MRSP 4/2022 TE           | 7,118               | -                   |
| Total U.S. Department of Transportation                                            |                   |                             | 7,118               | -                   |
| <i><b>U.S. Department of the Treasury</b></i>                                      |                   |                             |                     |                     |
| Passed Through the Massachusetts Executive Office for Administration and Finance   |                   |                             |                     |                     |
| COVID-19 - Coronavirus Relief Fund                                                 | 21.019            | 22-3 COVID19 408            | 234,316             | -                   |
| COVID-19 - Coronavirus State and Local Fiscal Recovery Fund                        | 21.027            | ARPACNTYSH077               | 75,099              | -                   |
| Total U.S. Department of the Treasury                                              |                   |                             | 309,416             | -                   |
| <i><b>U.S. Department of Education</b></i>                                         |                   |                             |                     |                     |
| Special Education Cluster                                                          |                   |                             |                     |                     |
| Passed Through the Massachusetts Department of Elementary and Secondary Education  |                   |                             |                     |                     |
| Special Education Grants to States                                                 | 84.027            | 240-534190-2022-0077        | 281,314             | -                   |
| Special Education Grants to States - ARP                                           | 84.027            | 252-563471-2022-0077        | 34,454              | -                   |
| Special Education Preschool Grants                                                 | 84.173            | 262-534191-2022-0077        | 10,777              | -                   |
| Special Education Preschool Grants - ARP                                           | 84.173            | 264-563470-2022-0077        | 5,098               | -                   |
| Total Special Education Cluster                                                    |                   |                             | 331,642             | -                   |
| Passed Through the Massachusetts Department of Elementary and Secondary Education  |                   |                             |                     |                     |
| Title I Grants to Local Educational Agencies                                       | 84.010            | 305-405586-2021-0077        | 8,163               | -                   |
| Title I Grants to Local Educational Agencies                                       | 84.010            | 305-534189-2022-0077        | 57,833              | -                   |
| Supporting Effective Instruction State Grant                                       | 84.367            | 140-300695-2020-0077        | 174                 | -                   |
| Supporting Effective Instruction State Grant                                       | 84.367            | 140-405587-2021-0077        | 4,187               | -                   |
| Supporting Effective Instruction State Grant                                       | 84.367            | 140-534192-2022-0077        | 11,894              | -                   |
| Student Support and Academic Enrichment Program                                    | 84.424            | 309-300700-2020-0077        | 1,715               | -                   |
| Student Support and Academic Enrichment Program                                    | 84.424            | 309-405589-2021-0077        | 8,496               | -                   |
| Student Support and Academic Enrichment Program                                    | 84.424            | 309-534194-2022-0077        | 3,500               | -                   |
| COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund           | 84.425D           | 115-498678-2021-0077        | 137,939             | -                   |
| COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund           | 84.425D           | 119-563180-2022-0077        | 13,333              | -                   |
| Total U.S. Department of Education                                                 |                   |                             | 578,876             | -                   |
| <i><b>U.S. Department of Health and Human Services</b></i>                         |                   |                             |                     |                     |
| Direct Federal Program                                                             |                   |                             |                     |                     |
| Drug-Free Communities Support Program Grants                                       | 93.276            | N/A                         | 3,818               | -                   |
| Drug-Free Communities Support Program Grants                                       | 93.276            | N/A                         | 17,074              | -                   |
| Total U.S. Department of Health and Human Services                                 |                   |                             | 20,892              | -                   |
| <i><b>U.S. Department of Homeland Security</b></i>                                 |                   |                             |                     |                     |
| Passed Through the Massachusetts Emergency Management Agency                       |                   |                             |                     |                     |
| COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036            | UNKNOWN                     | 68,145              | -                   |
| Assistance to Firefighters Grant                                                   | 97.044            | UNKNOWN                     | 2,169               | -                   |
| Passed Through the Massachusetts Executive Office of Public Safety and Security    |                   |                             |                     |                     |
| Emergency Management Performance Grants                                            | 97.042            | EMPG21 DOUGLAS              | 2,896               | -                   |
| Total U.S. Department of Homeland Security                                         |                   |                             | 73,210              | -                   |
| Total Federal Expenditures                                                         |                   |                             | \$ 1,689,483        | \$ -                |

The accompanying notes are an integral part of this schedule.

## **TOWN OF DOUGLAS, MASSACHUSETTS**

### **Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2022**

#### **Note 1. Summary of Significant Accounting Policies**

- The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Town of Douglas, Massachusetts (the Town) under programs of the federal government for the year ended June 30, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town.
- Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.
- The amounts reported for the National School Lunch Program – Non-Cash Assistance represent the fair value of commodities received.
- Expenditures awarded from the Federal Emergency Management Agency (FEMA), must be presented on the Schedule when; 1) FEMA has approved the Town's project worksheet (PW) and 2) the Town has incurred the eligible expenditures. The \$68,145 reported for Disaster Grants – Public Assistance (Publicly Declared Disasters), AL 97.036, represents expenditures incurred in prior years that were approved by FEMA during fiscal year 2022.

#### **Note 2. De Minimis Cost Rate**

The Town has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

#### **Note 3. Donated Personal Protective Equipment (PPE) (Unaudited)**

During fiscal year 2022 the Town did not receive donated PPE from federal sources.

**TOWN OF DOUGLAS, MASSACHUSETTS**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2022**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP

*Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

***Federal Awards***

Internal control over major federal programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major federal programs

*Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

☐ yes ☒ no

Identification of major federal programs:

***Assistance Listing Number(s)***

10.553/10.555/10.579/10.649  
21.019

***Name of Federal Program or Cluster***

Child Nutrition Cluster  
COVID-19 – Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

☐ yes ☒ no

## **SECTION II - FINANCIAL STATEMENT FINDINGS**

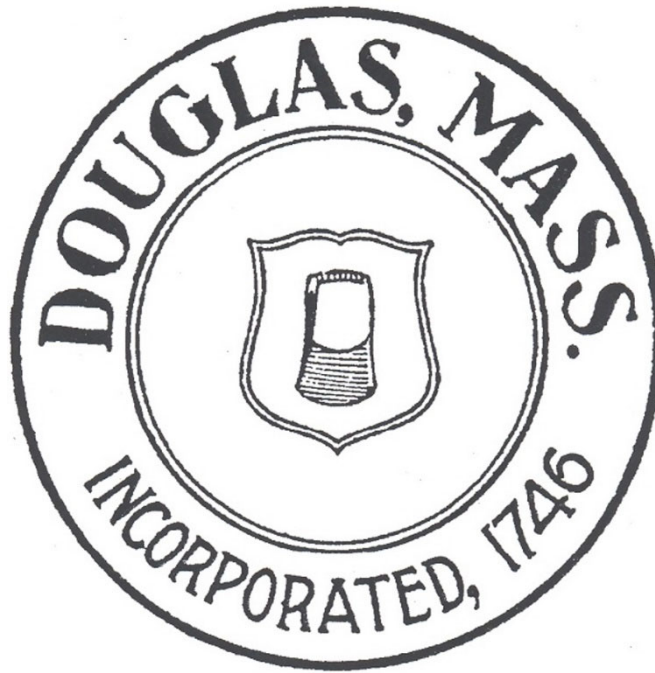
None.

## **SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None.

## **SECTION IV - SCHEDULE OF PRIOR YEAR FINDINGS**

There were no findings in the prior year.



## **TOWN OF DOUGLAS, MASSACHUSETTS**

Annual Financial Statements  
For the Year Ended June 30, 2022

(With Independent Auditor's Report Thereon)

## TABLE OF CONTENTS

|                                                                                                                                                    | <u>Page</u> |
|----------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| <b>INDEPENDENT AUDITOR’S REPORT</b>                                                                                                                | <b>1</b>    |
| <b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b>                                                                                                        | <b>4</b>    |
| <b>BASIC FINANCIAL STATEMENTS:</b>                                                                                                                 |             |
| <b>Government-Wide Financial Statements:</b>                                                                                                       |             |
| Statement of Net Position                                                                                                                          | 12          |
| Statement of Activities                                                                                                                            | 14          |
| <b>Fund Financial Statements:</b>                                                                                                                  |             |
| <b>Governmental Funds:</b>                                                                                                                         |             |
| Balance Sheet                                                                                                                                      | 15          |
| Reconciliation of Total Governmental Fund Balances to<br>Net Position of Governmental Activities in the Statement<br>of Net Position               | 16          |
| Statement of Revenues, Expenditures, and Changes in Fund Balances                                                                                  | 17          |
| Reconciliation of the Statement of Revenues, Expenditures,<br>and Changes in Fund Balances of Governmental Funds to<br>the Statement of Activities | 18          |
| <b>Proprietary Funds:</b>                                                                                                                          |             |
| Statement of Net Position                                                                                                                          | 19          |
| Statement of Revenues, Expenses, and Changes in Net Position                                                                                       | 20          |
| Statement of Cash Flows                                                                                                                            | 21          |
| <b>Fiduciary Funds:</b>                                                                                                                            |             |
| Statement of Fiduciary Net Position                                                                                                                | 22          |
| Statement of Changes in Fiduciary Net Position                                                                                                     | 23          |
| <b>Notes to Financial Statements</b>                                                                                                               | <b>24</b>   |

**REQUIRED SUPPLEMENTARY INFORMATION:**Page**Budget and Actual:**

Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) –  
Budget and Actual – General Fund 59

Notes to Required Supplementary Information for General Fund Budget 60

**Pension:**

Schedule of Proportionate Share of the Net Pension Liability 61

Schedule of Pension Contributions 62

**OPEB:**

Schedule of Changes in Net OPEB Liability 63

Schedules of Net OPEB Liability, Contributions, and Investment Returns 64

**Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards***

65



## INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen  
Town of Douglas, Massachusetts

### Report on the Audit of the Financial Statements

#### ***Opinions***

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

In our opinion, the accompanying financial statements 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 of Douglas, Massachusetts, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are not required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

The Town's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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



### ***Required Supplementary Information***

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2023 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Andover, Massachusetts  
February 17, 2023

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### **Overview of the Financial Statements**

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

#### ***Government-Wide Financial Statements***

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

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, education, public works, health and human services, and culture and recreation. The business-type activities include water/sewer and transfer station activities.

#### ***Fund Financial Statements***

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

***Governmental Funds***

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

***Proprietary Funds***

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

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

***Fiduciary Funds***

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

***Notes to Financial Statements***

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

### ***Required Supplementary Information***

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

### **Financial Highlights**

- As of the close of the current fiscal year, net position in governmental activities was \$34,609,107, a change of \$1,733,997, and net position in business-type activities was \$9,814,218, a change of \$1,649,323.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$13,521,276, a change of \$1,795,591 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,584,641, a change of \$(919,545) in comparison to the prior year.

### **Government-Wide Financial Analysis**

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

|                                  | NET POSITION<br>(in thousands) |                  |                             |                 |                  |                  |
|----------------------------------|--------------------------------|------------------|-----------------------------|-----------------|------------------|------------------|
|                                  | Governmental<br>Activities     |                  | Business-Type<br>Activities |                 | Total            |                  |
|                                  | 2022                           | 2021             | 2022                        | 2021            | 2022             | 2021             |
| <b>Assets</b>                    |                                |                  |                             |                 |                  |                  |
| Current and other assets         | \$ 18,717                      | \$ 15,553        | \$ 3,246                    | \$ 2,572        | \$ 21,963        | \$ 18,125        |
| Capital assets                   | <u>75,548</u>                  | <u>77,363</u>    | <u>9,371</u>                | <u>8,227</u>    | <u>84,919</u>    | <u>85,590</u>    |
| Total Assets                     | 94,265                         | 92,916           | 12,617                      | 10,799          | 106,882          | 103,715          |
| Deferred Outflows of Resources   | 5,010                          | 5,451            | 80                          | 92              | 5,090            | 5,543            |
| <b>Liabilities</b>               |                                |                  |                             |                 |                  |                  |
| Other liabilities                | 3,149                          | 2,147            | 740                         | 554             | 3,889            | 2,701            |
| Long-term liabilities            | <u>46,002</u>                  | <u>55,694</u>    | <u>1,896</u>                | <u>2,043</u>    | <u>47,898</u>    | <u>57,737</u>    |
| Total Liabilities                | 49,151                         | 57,841           | 2,636                       | 2,597           | 51,787           | 60,438           |
| Deferred Inflows of Resources    | 15,515                         | 7,651            | 247                         | 129             | 15,762           | 7,780            |
| <b>Net Position</b>              |                                |                  |                             |                 |                  |                  |
| Net investment in capital assets | 62,642                         | 62,867           | 8,002                       | 6,577           | 70,644           | 69,444           |
| Restricted                       | 4,535                          | 3,892            | -                           | -               | 4,535            | 3,892            |
| Unrestricted                     | <u>(32,568)</u>                | <u>(33,884)</u>  | <u>1,812</u>                | <u>1,588</u>    | <u>(30,756)</u>  | <u>(32,296)</u>  |
| Total Net Position               | \$ <u>34,609</u>               | \$ <u>32,875</u> | \$ <u>9,814</u>             | \$ <u>8,165</u> | \$ <u>44,423</u> | \$ <u>41,040</u> |

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. At the close of the most recent fiscal year, total net position was \$44,423,325, a change of \$3,383,320 in comparison to the prior year.

The largest portion of net position \$70,644,718 reflects the Town's investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$4,534,862 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit of \$(30,756,255) primarily resulting from unfunded pension and OPEB liabilities.

| CHANGE IN NET POSITION<br>(in thousands)                     |                            |             |                             |             |             |             |
|--------------------------------------------------------------|----------------------------|-------------|-----------------------------|-------------|-------------|-------------|
|                                                              | Governmental<br>Activities |             | Business-Type<br>Activities |             | Total       |             |
|                                                              | <u>2022</u>                | <u>2021</u> | <u>2022</u>                 | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| <b>Revenues</b>                                              |                            |             |                             |             |             |             |
| Program revenues:                                            |                            |             |                             |             |             |             |
| Charges for services                                         | \$ 1,852                   | \$ 1,443    | \$ 1,613                    | \$ 1,584    | \$ 3,465    | \$ 3,027    |
| Operating grants and contributions                           | 15,582                     | 17,318      | -                           | -           | 15,582      | 17,318      |
| General revenues:                                            |                            |             |                             |             |             |             |
| Property taxes                                               | 20,081                     | 19,229      | -                           | -           | 20,081      | 19,229      |
| Excise taxes                                                 | 1,493                      | 1,531       | -                           | -           | 1,493       | 1,531       |
| Penalties, interest, and other taxes                         | 258                        | 201         | -                           | -           | 258         | 201         |
| Grants and contributions not restricted to specific programs | 1,204                      | 1,038       | -                           | -           | 1,204       | 1,038       |
| Investment income                                            | 8                          | 85          | 2                           | 3           | 10          | 88          |
| Miscellaneous                                                | <u>473</u>                 | <u>570</u>  | <u>50</u>                   | <u>57</u>   | <u>523</u>  | <u>627</u>  |
| Total Revenues                                               | 40,951                     | 41,415      | 1,665                       | 1,644       | 42,616      | 43,059      |

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|                                                                 | <u>Governmental<br/>Activities</u> |                  | <u>Business-Type<br/>Activities</u> |                 | <u>Total</u>     |                  |
|-----------------------------------------------------------------|------------------------------------|------------------|-------------------------------------|-----------------|------------------|------------------|
|                                                                 | <u>2022</u>                        | <u>2021</u>      | <u>2022</u>                         | <u>2021</u>     | <u>2022</u>      | <u>2021</u>      |
| <b>Expenses</b>                                                 |                                    |                  |                                     |                 |                  |                  |
| General government                                              | 3,056                              | 3,174            | -                                   | -               | 3,056            | 3,174            |
| Public safety                                                   | 4,511                              | 4,912            | -                                   | -               | 4,511            | 4,912            |
| Education                                                       | 27,911                             | 30,183           | -                                   | -               | 27,911           | 30,183           |
| Public works                                                    | 1,888                              | 2,197            | -                                   | -               | 1,888            | 2,197            |
| Health and human services                                       | 338                                | 315              | -                                   | -               | 338              | 315              |
| Culture and recreation                                          | 312                                | 432              | -                                   | -               | 312              | 432              |
| Interest on long-term debt                                      | 523                                | 354              | -                                   | -               | 523              | 354              |
| Intergovernmental                                               | 358                                | 485              | -                                   | -               | 358              | 485              |
| Water/sewer services                                            | -                                  | -                | 1,500                               | 1,332           | 1,500            | 1,332            |
| Transfer station services                                       | -                                  | -                | 322                                 | 313             | 322              | 313              |
| Total Expenses                                                  | <u>38,897</u>                      | <u>42,052</u>    | <u>1,822</u>                        | <u>1,645</u>    | <u>40,719</u>    | <u>43,697</u>    |
| Change in Net Position<br>before Transfers and<br>Contributions | 2,054                              | (637)            | (157)                               | (1)             | 1,897            | (638)            |
| Capital contributions                                           | -                                  | -                | 1,486                               | -               | 1,486            | -                |
| Transfers In (Out)                                              | <u>(320)</u>                       | <u>(312)</u>     | <u>320</u>                          | <u>312</u>      | <u>-</u>         | <u>-</u>         |
| Change in Net Position                                          | 1,734                              | (949)            | 1,649                               | 311             | 3,383            | (638)            |
| Net Position - Beginning of Year                                | <u>32,875</u>                      | <u>33,824</u>    | <u>8,165</u>                        | <u>7,854</u>    | <u>41,040</u>    | <u>41,678</u>    |
| Net Position - End of Year                                      | <u>\$ 34,609</u>                   | <u>\$ 32,875</u> | <u>\$ 9,814</u>                     | <u>\$ 8,165</u> | <u>\$ 44,423</u> | <u>\$ 41,040</u> |

### ***Governmental Activities***

Governmental activities for the year resulted in a change in net position of \$1,733,997. Key elements of this change are as follows:

|                          |                     |
|--------------------------|---------------------|
| General Fund operations  | \$ 1,153,109        |
| Receipt of CARES revenue | 414,692             |
| Other                    | <u>166,196</u>      |
| Total                    | <u>\$ 1,733,997</u> |

### ***Business-Type Activities***

Business-type activities for the year resulted in a change in net position of \$1,649,323. The annual General Fund transfer to the water/sewer fund is to achieve balanced operating results. In addition, the Town received a \$1,487,233 capital contribution from MassWorks.

### **Financial Analysis of the Town's Funds**

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

### ***Governmental Funds***

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

#### ***General Fund***

The General Fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,584,641, while total fund balance was \$8,952,049. The unassigned fund balance decreased by \$(919,545) primarily from favorable budgetary results of \$1,745,140 (page 59), less \$950,268 used to supplement the fiscal year 2022 budget, \$327,347 used for the fiscal year 2023 operating budget and \$1,395,048 used for the fiscal year 2023 capital budget. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to General Fund expenditures. Refer to the table below.

| <u>General Fund</u>     | <u>June 30, 2022</u> | <u>June 30, 2021</u> | <u>Change</u> | <u>% of<br/>General<br/>Fund Expenditures*</u> |
|-------------------------|----------------------|----------------------|---------------|------------------------------------------------|
| Unassigned fund balance | \$ 4,584,641         | \$ 5,504,186         | \$ (919,545)  | 14.5%                                          |
| Total fund balance      | \$ 8,952,049         | \$ 7,798,940         | \$ 1,153,109  | 28.3%                                          |

\*Expenditure amounts used to calculate the above percentages have been adjusted to exclude the on-behalf payment from the Commonwealth of Massachusetts to the Massachusetts Teachers Retirement System of \$2,057,075.

The total fund balance of the General Fund changed by \$1,153,109 during the current fiscal year. Key factors in this change are as follows:

|                                                |                     |
|------------------------------------------------|---------------------|
| Use of free cash                               | \$ (1,590,068)      |
| Excess of state and local revenues over budget | 1,053,955           |
| Budgetary appropriation surplus                | 731,134             |
| Change in appropriation carryforwards          | 975,412             |
| Other                                          | <u>(17,324)</u>     |
| Total                                          | <u>\$ 1,153,109</u> |

Included in the total General Fund balance is the Town's stabilization account with the following balances:

|                       | <u>June 30, 2022</u> | <u>June 30, 2021</u> | <u>Change</u> |
|-----------------------|----------------------|----------------------|---------------|
| General stabilization | \$ 1,561,543         | \$ 1,569,793         | \$ (8,250)    |

### *Other Major Funds*

Receipts Reserved – This fund is used to track activity primarily for the operations pertaining to ambulance and cable services. In addition this fund accounted for proceeds from the sale of land.

School Choice – This fund accounts for state revenues received for students coming into the school department from other towns.

Town Federal Grants – This fund accounts for Federal revenues received for and used by the Town for various purposes.

### *Nonmajor Governmental Funds*

The fund balance of the nonmajor governmental funds balance changed by \$271,581 primarily from timing differences between the receipt and disbursement of grants.

### ***Proprietary Funds***

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$1,811,947, a change of \$223,992 in comparison to the prior year. Annually the General Fund transfers approximately \$310,000 to the water/sewer fund to balance the enterprise fund's budget.

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

### **General Fund Budgetary Highlights**

In total there is no overall differences between the original budget and the final amended budget. There was a variance between budgeted and actual expenditures in fiscal year 2022. Major reasons for this variance include:

- \$136,027 - Various general government lines
- \$119,830 - Public safety
- \$239,496 - Education
- \$33,062 - Public works
- \$56,081 - Health and human services
- \$22,053 - Culture and recreation
- \$5,371 - Employee benefits
- \$117,584 - Intergovernmental

## **Capital Assets and Debt Administration**

### ***Capital Assets***

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$84,918,916 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery, equipment, furnishings, infrastructure, and construction and progress.

Major capital acquisitions during the current fiscal year are as follows:

- \$1,487,233 Water system improvements (Funded by the MassWorks Grant)
- \$596,159 Construction on Cedar Street Bridge (Funded by State Grant and Chapter 90)

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

### ***Long-Term Debt***

At the end of the current fiscal year, total bonded debt outstanding was \$15,344,274 (including unamortized bond premium), all of which was backed by the full faith and credit of the Town.

During the fiscal year, the Town's Moody's credit rating remained unchanged at Aa3.

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

## **Requests for Information**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Finance Director  
Town of Douglas  
29 Depot Street  
Douglas, MA 01516

**TOWN OF DOUGLAS, MASSACHUSETTS**

Statement of Net Position  
June 30, 2022

|                                                          | Governmental<br><u>Activities</u> | Business-Type<br><u>Activities</u> | <u>Total</u>      |
|----------------------------------------------------------|-----------------------------------|------------------------------------|-------------------|
| <b>Assets</b>                                            |                                   |                                    |                   |
| Current:                                                 |                                   |                                    |                   |
| Cash and short-term investments                          | \$ 14,892,579                     | \$ 1,202,225                       | \$ 16,094,804     |
| Investments                                              | 1,649,931                         | -                                  | 1,649,931         |
| Receivables, net of allowance for uncollectibles:        |                                   |                                    |                   |
| Property taxes                                           | 385,535                           | -                                  | 385,535           |
| Excise taxes                                             | 227,562                           | -                                  | 227,562           |
| Other assets                                             | -                                 | 2,491                              | 2,491             |
| User fees                                                | 268,085                           | 534,026                            | 802,111           |
| Departmental and other                                   | 20,408                            | 19,588                             | 39,996            |
| Intergovernmental                                        | <u>738,989</u>                    | <u>1,487,233</u>                   | <u>2,226,222</u>  |
| Total Current Assets                                     | 18,183,089                        | 3,245,563                          | 21,428,652        |
| Noncurrent:                                              |                                   |                                    |                   |
| Receivables, net of allowance for uncollectibles:        |                                   |                                    |                   |
| Property taxes                                           | 534,282                           | -                                  | 534,282           |
| Capital assets:                                          |                                   |                                    |                   |
| Nondepreciable capital assets                            | 7,334,845                         | 2,391,328                          | 9,726,173         |
| Other capital assets, net<br>of accumulated depreciation | <u>68,213,237</u>                 | <u>6,979,506</u>                   | <u>75,192,743</u> |
| Total Noncurrent Assets                                  | <u>76,082,364</u>                 | <u>9,370,834</u>                   | <u>85,453,198</u> |
| Total Assets                                             | 94,265,453                        | 12,616,397                         | 106,881,850       |
| <b>Deferred Outflows of Resources</b>                    |                                   |                                    |                   |
| Related to pension                                       | 1,373,294                         | 23,181                             | 1,396,475         |
| Related to OPEB                                          | <u>3,636,572</u>                  | <u>57,187</u>                      | <u>3,693,759</u>  |
| Total Deferred Outflows of Resources                     | 5,009,866                         | 80,368                             | 5,090,234         |

(continued)

**TOWN OF DOUGLAS, MASSACHUSETTS**

Statement of Net Position  
June 30, 2022

(continued)

|                                                 | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Total</u>  |
|-------------------------------------------------|------------------------------------|-------------------------------------|---------------|
| <b>Liabilities</b>                              |                                    |                                     |               |
| Current:                                        |                                    |                                     |               |
| Warrants and accounts payable                   | 1,170,482                          | 739,340                             | 1,909,822     |
| Accrued liabilities                             | 539,857                            | -                                   | 539,857       |
| Unearned revenues                               | 1,275,661                          | -                                   | 1,275,661     |
| Other current liabilities                       | 163,351                            | -                                   | 163,351       |
| Current portion of long-term liabilities:       |                                    |                                     |               |
| Bonds and loans payable                         | 1,275,134                          | 422,953                             | 1,698,087     |
| Compensated absences                            | 8,053                              | 779                                 | 8,832         |
| Landfill liability                              | 20,000                             | -                                   | 20,000        |
| Total Current Liabilities                       | 4,452,538                          | 1,163,072                           | 5,615,610     |
| Noncurrent:                                     |                                    |                                     |               |
| Bonds and loans payable, net of current portion | 12,700,577                         | 945,610                             | 13,646,187    |
| Net pension liability                           | 14,300,627                         | 241,398                             | 14,542,025    |
| Net OPEB liability                              | 17,199,303                         | 270,466                             | 17,469,769    |
| Compensated absences, net of current portion    | 137,433                            | 14,791                              | 152,224       |
| Landfill liability, net of current portion      | 360,000                            | -                                   | 360,000       |
| Total Noncurrent Liabilities                    | 44,697,940                         | 1,472,265                           | 46,170,205    |
| Total Liabilities                               | 49,150,478                         | 2,635,337                           | 51,785,815    |
| <b>Deferred Inflows of Resources</b>            |                                    |                                     |               |
| Related to pension                              | 2,786,985                          | 47,045                              | 2,834,030     |
| Related to OPEB                                 | 12,728,749                         | 200,165                             | 12,928,914    |
| Total Deferred Inflows of Resources             | 15,515,734                         | 247,210                             | 15,762,944    |
| <b>Net Position</b>                             |                                    |                                     |               |
| Net investment in capital assets                | 62,642,447                         | 8,002,271                           | 70,644,718    |
| Restricted for:                                 |                                    |                                     |               |
| Grants and other statutory restrictions         | 4,421,165                          | -                                   | 4,421,165     |
| Endowment funds:                                |                                    |                                     |               |
| Nonexpendable                                   | 37,502                             | -                                   | 37,502        |
| Expendable                                      | 76,195                             | -                                   | 76,195        |
| Unrestricted                                    | (32,568,202)                       | 1,811,947                           | (30,756,255)  |
| Total Net Position                              | \$ 34,609,107                      | \$ 9,814,218                        | \$ 44,423,325 |

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

**TOWN OF DOUGLAS, MASSACHUSETTS**

Statement of Activities  
For the Year Ended June 30, 2022

|                                                              |                      | Program Revenues    |                                           |                                           | Net (Expenses) Revenues and Changes in Net Position |                                  |                      |
|--------------------------------------------------------------|----------------------|---------------------|-------------------------------------------|-------------------------------------------|-----------------------------------------------------|----------------------------------|----------------------|
|                                                              |                      | Charges for         | Operating                                 | Capital                                   | Governmental                                        | Business-                        | Total                |
|                                                              | <u>Expenses</u>      | <u>Services</u>     | <u>Grants and</u><br><u>Contributions</u> | <u>Grants and</u><br><u>Contributions</u> | <u>Activities</u>                                   | <u>Type</u><br><u>Activities</u> |                      |
| <b>Governmental Activities</b>                               |                      |                     |                                           |                                           |                                                     |                                  |                      |
| General government                                           | \$ 3,056,429         | \$ 515,000          | \$ 426,268                                | \$ -                                      | \$ (2,115,161)                                      | \$ -                             | \$ (2,115,161)       |
| Public safety                                                | 4,511,135            | 1,025,054           | 764,396                                   | -                                         | (2,721,685)                                         | -                                | (2,721,685)          |
| Education                                                    | 27,910,514           | 252,088             | 14,274,943                                | -                                         | (13,383,483)                                        | -                                | (13,383,483)         |
| Public works                                                 | 1,888,201            | 44,325              | -                                         | -                                         | (1,843,876)                                         | -                                | (1,843,876)          |
| Health and human services                                    | 337,901              | 15,339              | 64,170                                    | -                                         | (258,392)                                           | -                                | (258,392)            |
| Culture and recreation                                       | 312,135              | 234                 | 51,823                                    | -                                         | (260,078)                                           | -                                | (260,078)            |
| Interest on long-term debt                                   | 522,504              | -                   | -                                         | -                                         | (522,504)                                           | -                                | (522,504)            |
| Intergovernmental                                            | <u>357,044</u>       | <u>-</u>            | <u>-</u>                                  | <u>-</u>                                  | <u>(357,044)</u>                                    | <u>-</u>                         | <u>(357,044)</u>     |
| Total Governmental Activities                                | 38,895,863           | 1,852,040           | 15,581,600                                | -                                         | (21,462,223)                                        | -                                | (21,462,223)         |
| <b>Business-Type Activities</b>                              |                      |                     |                                           |                                           |                                                     |                                  |                      |
| Water/sewer services                                         | 1,500,044            | 1,387,083           | -                                         | 1,487,233                                 | -                                                   | 1,374,272                        | 1,374,272            |
| Transfer station services                                    | <u>322,873</u>       | <u>226,100</u>      | <u>-</u>                                  | <u>-</u>                                  | <u>-</u>                                            | <u>(96,773)</u>                  | <u>(96,773)</u>      |
| Total Business-Type Activities                               | <u>1,822,917</u>     | <u>1,613,183</u>    | <u>-</u>                                  | <u>1,487,233</u>                          | <u>-</u>                                            | <u>1,277,499</u>                 | <u>1,277,499</u>     |
| Total                                                        | \$ <u>40,718,780</u> | \$ <u>3,465,223</u> | \$ <u>15,581,600</u>                      | \$ <u>1,487,233</u>                       | (21,462,223)                                        | 1,277,499                        | (20,184,724)         |
| <b>General Revenues and Transfers</b>                        |                      |                     |                                           |                                           |                                                     |                                  |                      |
| Property taxes                                               |                      |                     |                                           |                                           | 20,080,745                                          | -                                | 20,080,745           |
| Excise taxes                                                 |                      |                     |                                           |                                           | 1,493,139                                           | -                                | 1,493,139            |
| Penalties, interest, and other taxes                         |                      |                     |                                           |                                           | 257,978                                             | -                                | 257,978              |
| Grants and contributions not restricted to specific programs |                      |                     |                                           |                                           | 1,203,737                                           | -                                | 1,203,737            |
| Investment income                                            |                      |                     |                                           |                                           | 7,601                                               | 1,582                            | 9,183                |
| Miscellaneous                                                |                      |                     |                                           |                                           | 472,996                                             | 50,266                           | 523,262              |
| Transfers, net                                               |                      |                     |                                           |                                           | <u>(319,976)</u>                                    | <u>319,976</u>                   | <u>-</u>             |
| Total general revenues and transfers                         |                      |                     |                                           |                                           | <u>23,196,220</u>                                   | <u>371,824</u>                   | <u>23,568,044</u>    |
| Change in Net Position                                       |                      |                     |                                           |                                           | 1,733,997                                           | 1,649,323                        | 3,383,320            |
| <b>Net Position</b>                                          |                      |                     |                                           |                                           |                                                     |                                  |                      |
| Beginning of year                                            |                      |                     |                                           |                                           | <u>32,875,110</u>                                   | <u>8,164,895</u>                 | <u>41,040,005</u>    |
| End of year                                                  |                      |                     |                                           |                                           | \$ <u>34,609,107</u>                                | \$ <u>9,814,218</u>              | \$ <u>44,423,325</u> |

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

**TOWN OF DOUGLAS, MASSACHUSETTS**

Governmental Funds  
Balance Sheet  
June 30, 2022

|                                                                        | General<br>Fund      | Receipts<br>Reserved<br>Fund | School<br>Choice<br>Fund | Town<br>Federal<br>Grants<br>Fund | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|------------------------------------------------------------------------|----------------------|------------------------------|--------------------------|-----------------------------------|-----------------------------------|--------------------------------|
| <b>Assets</b>                                                          |                      |                              |                          |                                   |                                   |                                |
| Cash and short-term investments                                        | \$ 8,978,105         | \$ 1,301,582                 | \$ 2,017,275             | \$ 1,384,823                      | \$ 1,210,794                      | \$ 14,892,579                  |
| Investments                                                            | 1,533,409            | -                            | -                        | -                                 | 116,522                           | 1,649,931                      |
| Receivables:                                                           |                      |                              |                          |                                   |                                   |                                |
| Property taxes                                                         | 919,817              | -                            | -                        | -                                 | -                                 | 919,817                        |
| Excise taxes                                                           | 227,562              | -                            | -                        | -                                 | -                                 | 227,562                        |
| User fees                                                              | -                    | 906,246                      | -                        | -                                 | -                                 | 906,246                        |
| Departmental and other                                                 | -                    | -                            | -                        | -                                 | 437                               | 437                            |
| Intergovernmental                                                      | <u>24,500</u>        | <u>-</u>                     | <u>-</u>                 | <u>74,147</u>                     | <u>660,313</u>                    | <u>758,960</u>                 |
| Total Assets                                                           | \$ <u>11,683,393</u> | \$ <u>2,207,828</u>          | \$ <u>2,017,275</u>      | \$ <u>1,458,970</u>               | \$ <u>1,988,066</u>               | \$ <u>19,355,532</u>           |
| <b>Liabilities</b>                                                     |                      |                              |                          |                                   |                                   |                                |
| Warrants and accounts payable                                          | \$ 984,401           | \$ -                         | \$ 11,993                | \$ 2,017                          | \$ 172,098                        | \$ 1,170,509                   |
| Accrued liabilities                                                    | 539,857              | -                            | -                        | -                                 | -                                 | 539,857                        |
| Unearned revenues                                                      | -                    | -                            | -                        | 1,275,661                         | -                                 | 1,275,661                      |
| Other liabilities                                                      | <u>163,323</u>       | <u>-</u>                     | <u>-</u>                 | <u>-</u>                          | <u>-</u>                          | <u>163,323</u>                 |
| Total Liabilities                                                      | 1,687,581            | -                            | 11,993                   | 1,277,678                         | 172,098                           | 3,149,350                      |
| <b>Deferred Inflows of Resources</b>                                   |                      |                              |                          |                                   |                                   |                                |
| Unavailable revenues                                                   | 1,043,763            | 906,246                      | -                        | 74,147                            | 660,750                           | 2,684,906                      |
| <b>Fund Balances</b>                                                   |                      |                              |                          |                                   |                                   |                                |
| Nonspendable                                                           | -                    | -                            | -                        | -                                 | 37,502                            | 37,502                         |
| Restricted                                                             | 140,660              | 1,301,582                    | 2,005,282                | 107,145                           | 1,750,278                         | 5,304,947                      |
| Committed                                                              | 3,842,795            | -                            | -                        | -                                 | -                                 | 3,842,795                      |
| Assigned                                                               | 383,953              | -                            | -                        | -                                 | -                                 | 383,953                        |
| Unassigned                                                             | <u>4,584,641</u>     | <u>-</u>                     | <u>-</u>                 | <u>-</u>                          | <u>(632,562)</u>                  | <u>3,952,079</u>               |
| Total Fund Balances                                                    | <u>8,952,049</u>     | <u>1,301,582</u>             | <u>2,005,282</u>         | <u>107,145</u>                    | <u>1,155,218</u>                  | <u>13,521,276</u>              |
| Total Liabilities, Deferred Inflows of Resources,<br>and Fund Balances | \$ <u>11,683,393</u> | \$ <u>2,207,828</u>          | \$ <u>2,017,275</u>      | \$ <u>1,458,970</u>               | \$ <u>1,988,066</u>               | \$ <u>19,355,532</u>           |

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

**TOWN OF DOUGLAS, MASSACHUSETTS**

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

|                                                                                                                                          |                             |
|------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| <b>Total Governmental Fund Balances</b>                                                                                                  | \$ 13,521,276               |
| • Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | 75,548,082                  |
| • Deferred outflows of resources related to pensions to be recognized in pension expense in future periods.                              | 1,373,294                   |
| • Deferred outflows of resources related to OPEB to be recognized in OPEB expense in future periods.                                     | 3,636,572                   |
| • Revenues are reported on the accrual basis of accounting and are not deferred until collection.                                        | 2,046,744                   |
| • Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:        |                             |
| Bonds payable                                                                                                                            | (13,975,711)                |
| Net pension liability                                                                                                                    | (14,300,627)                |
| Net OPEB liability                                                                                                                       | (17,199,303)                |
| Compensated absences                                                                                                                     | (145,486)                   |
| Landfill liability                                                                                                                       | (380,000)                   |
| • Deferred inflows of resources related to pensions to be recognized in pension expense in future periods.                               | (2,786,985)                 |
| • Deferred inflows of resources related to OPEB to be recognized in OPEB expense in future periods.                                      | <u>(12,728,749)</u>         |
| <b>Net Position of Governmental Activities</b>                                                                                           | <u><u>\$ 34,609,107</u></u> |

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

**TOWN OF DOUGLAS, MASSACHUSETTS**

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

|                                                      | General<br><u>Fund</u> | Receipts<br>Reserved<br><u>Fund</u> | School<br>Choice<br><u>Fund</u> | Town<br>Federal<br>Grants<br><u>Fund</u> | Nonmajor<br>Governmental<br><u>Funds</u> | Total<br>Governmental<br><u>Funds</u> |
|------------------------------------------------------|------------------------|-------------------------------------|---------------------------------|------------------------------------------|------------------------------------------|---------------------------------------|
| <b>Revenues</b>                                      |                        |                                     |                                 |                                          |                                          |                                       |
| Property taxes                                       | \$ 19,997,351          | \$ -                                | \$ -                            | \$ -                                     | \$ -                                     | \$ 19,997,351                         |
| Excise taxes                                         | 1,415,717              | 3,307                               | -                               | -                                        | -                                        | 1,419,024                             |
| Penalties, interest, and other taxes                 | 226,699                | 540                                 | -                               | -                                        | -                                        | 227,239                               |
| Charges for services                                 | 348,572                | 348,277                             | -                               | -                                        | 645,192                                  | 1,342,041                             |
| Intergovernmental                                    | 12,095,396             | 124,517                             | 769,262                         | 609,931                                  | 2,872,091                                | 16,471,197                            |
| Licenses and permits                                 | 415,587                | -                                   | -                               | -                                        | -                                        | 415,587                               |
| Fines and forfeitures                                | 30,609                 | -                                   | -                               | -                                        | 130                                      | 30,739                                |
| Investment income (loss)                             | 4,108                  | -                                   | -                               | 3,647                                    | (154)                                    | 7,601                                 |
| Contributions                                        | -                      | 325                                 | -                               | -                                        | 114,785                                  | 115,110                               |
| Miscellaneous                                        | <u>246,839</u>         | <u>74,282</u>                       | <u>-</u>                        | <u>-</u>                                 | <u>150,854</u>                           | <u>471,975</u>                        |
| Total Revenues                                       | 34,780,878             | 551,248                             | 769,262                         | 613,578                                  | 3,782,898                                | 40,497,864                            |
| <b>Expenditures</b>                                  |                        |                                     |                                 |                                          |                                          |                                       |
| Current:                                             |                        |                                     |                                 |                                          |                                          |                                       |
| General government                                   | 2,464,706              | -                                   | -                               | 75,099                                   | 123,233                                  | 2,663,038                             |
| Public safety                                        | 3,164,857              | -                                   | -                               | 102,148                                  | 336,434                                  | 3,603,439                             |
| Education                                            | 19,254,360             | -                                   | 981,334                         | -                                        | 2,301,722                                | 22,537,416                            |
| Public works                                         | 1,229,841              | -                                   | -                               | -                                        | 673,421                                  | 1,903,262                             |
| Health and human services                            | 244,326                | -                                   | -                               | -                                        | 38,293                                   | 282,619                               |
| Culture and recreation                               | 361,880                | -                                   | -                               | -                                        | 13,535                                   | 375,415                               |
| Employee benefits                                    | 4,437,747              | -                                   | -                               | -                                        | 4,679                                    | 4,442,426                             |
| Debt service:                                        |                        |                                     |                                 |                                          |                                          |                                       |
| Principal                                            | 1,590,000              | -                                   | -                               | -                                        | -                                        | 1,590,000                             |
| Interest                                             | 625,975                | -                                   | -                               | -                                        | -                                        | 625,975                               |
| Other                                                | 1,663                  | -                                   | -                               | -                                        | -                                        | 1,663                                 |
| Intergovernmental                                    | <u>357,044</u>         | <u>-</u>                            | <u>-</u>                        | <u>-</u>                                 | <u>-</u>                                 | <u>357,044</u>                        |
| Total Expenditures                                   | <u>33,732,399</u>      | <u>-</u>                            | <u>981,334</u>                  | <u>177,247</u>                           | <u>3,491,317</u>                         | <u>38,382,297</u>                     |
| Excess (deficiency) of revenues<br>over expenditures | 1,048,479              | 551,248                             | (212,072)                       | 436,331                                  | 291,581                                  | 2,115,567                             |
| <b>Other Financing Sources (Uses)</b>                |                        |                                     |                                 |                                          |                                          |                                       |
| Transfers in                                         | 464,555                | 15,139                              | -                               | 24,810                                   | -                                        | 504,504                               |
| Transfers out                                        | <u>(359,925)</u>       | <u>(444,555)</u>                    | <u>-</u>                        | <u>-</u>                                 | <u>(20,000)</u>                          | <u>(824,480)</u>                      |
| Total Other Financing Sources (Uses)                 | <u>104,630</u>         | <u>(429,416)</u>                    | <u>-</u>                        | <u>24,810</u>                            | <u>(20,000)</u>                          | <u>(319,976)</u>                      |
| Change in fund balance                               | 1,153,109              | 121,832                             | (212,072)                       | 461,141                                  | 271,581                                  | 1,795,591                             |
| Fund Balance, at Beginning of Year                   | <u>7,798,940</u>       | <u>1,179,750</u>                    | <u>2,217,354</u>                | <u>(353,996)</u>                         | <u>883,637</u>                           | <u>11,725,685</u>                     |
| Fund Balance, at End of Year                         | \$ <u>8,952,049</u>    | \$ <u>1,301,582</u>                 | \$ <u>2,005,282</u>             | \$ <u>107,145</u>                        | \$ <u>1,155,218</u>                      | \$ <u>13,521,276</u>                  |

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

## TOWN OF DOUGLAS, MASSACHUSETTS

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

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                            |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| <b>Net Changes in Fund Balances - Total Governmental Funds</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <b>\$ 1,795,591</b>        |
| <ul style="list-style-type: none"><li>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</li></ul>                                                                                                                                                                                                                                                                                    |                            |
| Capital outlay                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 1,122,928                  |
| Depreciation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | (2,937,755)                |
| <ul style="list-style-type: none"><li>The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:</li></ul>                                                                                                                                                                                                               |                            |
| Repayments of general obligation bonds and loans                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 1,590,000                  |
| <ul style="list-style-type: none"><li>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue and the net of change in allowance for doubtful accounts.</li></ul> |                            |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 365,325                    |
| <ul style="list-style-type: none"><li>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</li></ul>                                                                                                                                                                                                                                                                                                             |                            |
| Change in net pension liability and related deferred outflows and inflows                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | (123,668)                  |
| Change in net OPEB liability and related deferred outflows and inflows                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | (182,816)                  |
| Change in accrued employee benefits                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | (20,742)                   |
| Bond premium amortization                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 105,134                    |
| Change in landfill liability                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <u>20,000</u>              |
| <b>Change in Net Position of Governmental Activities</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>\$ <u>1,733,997</u></b> |

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

**TOWN OF DOUGLAS, MASSACHUSETTS**

Proprietary Funds  
Statement of Net Position  
June 30, 2022

|                                                          | Business-Type Activities<br>Enterprise Funds |                                      |                     |
|----------------------------------------------------------|----------------------------------------------|--------------------------------------|---------------------|
|                                                          | Water/Sewer<br>Fund                          | Nonmajor<br>Transfer Station<br>Fund | Total               |
| <b>Assets</b>                                            |                                              |                                      |                     |
| Current:                                                 |                                              |                                      |                     |
| Cash and short-term investments                          | \$ 1,013,768                                 | \$ 188,457                           | \$ 1,202,225        |
| Other assets                                             | 2,491                                        | -                                    | 2,491               |
| User fee receivables                                     | 534,026                                      | -                                    | 534,026             |
| Special assessments receivable                           | 19,588                                       | -                                    | 19,588              |
| Intergovernmental receivables                            | <u>1,487,233</u>                             | <u>-</u>                             | <u>1,487,233</u>    |
| Total current assets                                     | 3,057,106                                    | 188,457                              | 3,245,563           |
| Noncurrent:                                              |                                              |                                      |                     |
| Capital assets:                                          |                                              |                                      |                     |
| Nondepreciable capital assets                            | 2,379,590                                    | 11,738                               | 2,391,328           |
| Other capital assets, net<br>of accumulated depreciation | <u>6,967,519</u>                             | <u>11,987</u>                        | <u>6,979,506</u>    |
| Total noncurrent assets                                  | <u>9,347,109</u>                             | <u>23,725</u>                        | <u>9,370,834</u>    |
| Total Assets                                             | 12,404,215                                   | 212,182                              | 12,616,397          |
| <b>Deferred Outflows of Resources</b>                    |                                              |                                      |                     |
| Related to pension                                       | 23,181                                       | -                                    | 23,181              |
| Related to OPEB                                          | <u>57,187</u>                                | <u>-</u>                             | <u>57,187</u>       |
| Total Deferred Outflows of Resources                     | 80,368                                       | -                                    | 80,368              |
| <b>Liabilities</b>                                       |                                              |                                      |                     |
| Current:                                                 |                                              |                                      |                     |
| Warrants and accounts payable                            | 713,375                                      | 25,965                               | 739,340             |
| Current portion of long-term liabilities:                |                                              |                                      |                     |
| Bonds and loans payable                                  | 422,953                                      | -                                    | 422,953             |
| Compensated absences                                     | <u>779</u>                                   | <u>-</u>                             | <u>779</u>          |
| Total current liabilities                                | 1,137,107                                    | 25,965                               | 1,163,072           |
| Noncurrent:                                              |                                              |                                      |                     |
| Bonds and loans payable, net of current portion          | 945,610                                      | -                                    | 945,610             |
| Net pension liability                                    | 241,398                                      | -                                    | 241,398             |
| Net OPEB liability                                       | 270,466                                      | -                                    | 270,466             |
| Compensated absences, net of current portion             | <u>14,791</u>                                | <u>-</u>                             | <u>14,791</u>       |
| Total noncurrent liabilities                             | <u>1,472,265</u>                             | <u>-</u>                             | <u>1,472,265</u>    |
| Total Liabilities                                        | 2,609,372                                    | 25,965                               | 2,635,337           |
| <b>Deferred Inflows of Resources</b>                     |                                              |                                      |                     |
| Related to pension                                       | 47,045                                       | -                                    | 47,045              |
| Related to OPEB                                          | <u>200,165</u>                               | <u>-</u>                             | <u>200,165</u>      |
| Total Deferred Inflows of Resources                      | <u>247,210</u>                               | <u>-</u>                             | <u>247,210</u>      |
| <b>Net Position</b>                                      |                                              |                                      |                     |
| Net investment in capital assets                         | 7,978,546                                    | 23,725                               | 8,002,271           |
| Unrestricted                                             | <u>1,649,455</u>                             | <u>162,492</u>                       | <u>1,811,947</u>    |
| Total Net Position                                       | \$ <u>9,628,001</u>                          | \$ <u>186,217</u>                    | \$ <u>9,814,218</u> |

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

**TOWN OF DOUGLAS, MASSACHUSETTS**

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

|                                             | Business-Type Activities<br>Enterprise Funds |                                      |              |
|---------------------------------------------|----------------------------------------------|--------------------------------------|--------------|
|                                             | Water/Sewer<br>Fund                          | Nonmajor<br>Transfer Station<br>Fund | Total        |
| <b>Operating Revenues</b>                   |                                              |                                      |              |
| Charges for services                        | \$ 1,387,083                                 | \$ 226,100                           | \$ 1,613,183 |
| Total Operating Revenues                    | 1,387,083                                    | 226,100                              | 1,613,183    |
| <b>Operating Expenses</b>                   |                                              |                                      |              |
| Salaries and benefits                       | 357,147                                      | 69,513                               | 426,660      |
| Other operating expenses                    | 714,054                                      | 252,033                              | 966,087      |
| Depreciation                                | 366,113                                      | 1,327                                | 367,440      |
| Total Operating Expenses                    | 1,437,314                                    | 322,873                              | 1,760,187    |
| Operating Income (Loss)                     | (50,231)                                     | (96,773)                             | (147,004)    |
| <b>Nonoperating Revenues (Expenses)</b>     |                                              |                                      |              |
| Investment income                           | 1,390                                        | 192                                  | 1,582        |
| Interest expense                            | (62,730)                                     | -                                    | (62,730)     |
| Other                                       | 50,166                                       | 100                                  | 50,266       |
| Total Nonoperating Revenues (Expenses), Net | (11,174)                                     | 292                                  | (10,882)     |
| Income (Loss) Before Transfers              | (61,405)                                     | (96,481)                             | (157,886)    |
| Capital Contributions                       | 1,487,233                                    | -                                    | 1,487,233    |
| Transfers in                                | 319,976                                      | -                                    | 319,976      |
| Change in Net Position                      | 1,745,804                                    | (96,481)                             | 1,649,323    |
| Net Position at Beginning of Year           | 7,882,197                                    | 282,698                              | 8,164,895    |
| Net Position at End of Year                 | \$ 9,628,001                                 | \$ 186,217                           | \$ 9,814,218 |

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

**TOWN OF DOUGLAS, MASSACHUSETTS**

Proprietary Funds

Statement Of Cash Flows

For the Year Ended June 30, 2022

|                                                                                                           | Business-Type Activities<br>Enterprise Funds |                                      |                            |
|-----------------------------------------------------------------------------------------------------------|----------------------------------------------|--------------------------------------|----------------------------|
|                                                                                                           | Water/Sewer<br>Fund                          | Nonmajor<br>Transfer Station<br>Fund | Total                      |
| <b>Cash Flows From Operating Activities</b>                                                               |                                              |                                      |                            |
| Receipts from customers and users                                                                         | \$ 1,528,192                                 | \$ 226,100                           | \$ 1,754,292               |
| Payments to employees                                                                                     | (375,179)                                    | (69,513)                             | (444,692)                  |
| Payments to vendors                                                                                       | <u>(783,452)</u>                             | <u>(251,723)</u>                     | <u>(1,035,175)</u>         |
| Net Cash Provided By (Used For) Operating Activities                                                      | 369,561                                      | (95,136)                             | 274,425                    |
| <b>Cash Flows From Noncapital Financing Activities</b>                                                    |                                              |                                      |                            |
| Transfers in                                                                                              | <u>319,976</u>                               | <u>-</u>                             | <u>319,976</u>             |
| Net Cash Provided By Noncapital Financing Activities                                                      | 319,976                                      | -                                    | 319,976                    |
| <b>Cash Flows From Capital and Related Financing Activities</b>                                           |                                              |                                      |                            |
| Acquisition and construction of capital assets                                                            | (846,248)                                    | -                                    | (846,248)                  |
| Principal payments on bonds                                                                               | (409,729)                                    | -                                    | (409,729)                  |
| Interest expense                                                                                          | (62,730)                                     | -                                    | (62,730)                   |
| Other nonoperating income                                                                                 | <u>50,166</u>                                | <u>100</u>                           | <u>50,266</u>              |
| Net Cash Provided By (Used For) Capital and Related Financing Activities                                  | (1,268,541)                                  | 100                                  | (1,268,441)                |
| <b>Cash Flows From Investing Activities</b>                                                               |                                              |                                      |                            |
| Investment income                                                                                         | <u>1,390</u>                                 | <u>192</u>                           | <u>1,582</u>               |
| Net Cash Provided By Investing Activities                                                                 | <u>1,390</u>                                 | <u>192</u>                           | <u>1,582</u>               |
| Net Change in Cash and Short-Term Investments                                                             | (577,614)                                    | (94,844)                             | (672,458)                  |
| Cash and Short-Term Investments, Beginning of Year                                                        | <u>1,591,382</u>                             | <u>283,301</u>                       | <u>1,874,683</u>           |
| Cash and Short-Term Investments, End of Year                                                              | \$ <u><u>1,013,768</u></u>                   | \$ <u><u>188,457</u></u>             | \$ <u><u>1,202,225</u></u> |
| <b>Reconciliation of Operating (Loss) to Net Cash</b>                                                     |                                              |                                      |                            |
| Provided by Operating Activities                                                                          |                                              |                                      |                            |
| Operating (loss)                                                                                          | \$ (50,231)                                  | \$ (96,773)                          | \$ (147,004)               |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: |                                              |                                      |                            |
| Depreciation                                                                                              | 366,113                                      | 1,327                                | 367,440                    |
| Changes in assets, liabilities, and deferred outflows/inflows:                                            |                                              |                                      |                            |
| User fee receivables                                                                                      | 141,335                                      | -                                    | 141,335                    |
| Other assets                                                                                              | (226)                                        | -                                    | (226)                      |
| Deferred outflows - related to pensions                                                                   | (1,400)                                      | -                                    | (1,400)                    |
| Deferred outflows - related to OPEB                                                                       | 12,941                                       | -                                    | 12,941                     |
| Warrants and accounts payable                                                                             | (69,398)                                     | 310                                  | (69,088)                   |
| Accrued liabilities                                                                                       | 6,523                                        | -                                    | 6,523                      |
| Net pension liability                                                                                     | (20,007)                                     | -                                    | (20,007)                   |
| Net OPEB liability                                                                                        | (134,299)                                    | -                                    | (134,299)                  |
| Deferred inflows - related to pensions                                                                    | 23,495                                       | -                                    | 23,495                     |
| Deferred inflows - related to OPEB                                                                        | <u>94,715</u>                                | <u>-</u>                             | <u>94,715</u>              |
| Net Cash Provided By (Used For) Operating Activities                                                      | \$ <u><u>369,561</u></u>                     | \$ <u><u>(95,136)</u></u>            | \$ <u><u>274,425</u></u>   |

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

**TOWN OF DOUGLAS, MASSACHUSETTS**

Fiduciary Funds  
Statement of Fiduciary Net Position  
June 30, 2022

|                                 | <u>OPEB</u><br><u>Trust Fund</u> | Private<br>Purpose<br>Trust<br><u>Funds</u> | Custodial<br><u>Fund</u> |
|---------------------------------|----------------------------------|---------------------------------------------|--------------------------|
| <b>Assets</b>                   |                                  |                                             |                          |
| Cash and short-term investments | \$ 5,750                         | \$ 1,837                                    | \$ 469,971               |
| Investments:                    |                                  |                                             |                          |
| Certificates of deposit         | -                                | 6,094                                       | -                        |
| Corporate bonds                 | -                                | 22,003                                      | -                        |
| Corporate equities              | 69,412                           | 51,274                                      | -                        |
| Equity mutual funds             | 695,284                          | -                                           | -                        |
| Exchange traded securities      | -                                | 4,436                                       | -                        |
| Federal agency securities       | -                                | 4,474                                       | -                        |
| Fixed income mutual funds       | 328,673                          | -                                           | -                        |
| U.S. Treasury notes             | -                                | 11,843                                      | -                        |
| Total Investments               | <u>1,093,369</u>                 | <u>100,125</u>                              | <u>-</u>                 |
| Total Assets                    | 1,099,119                        | 101,962                                     | 469,971                  |
| <b>Liabilities</b>              |                                  |                                             |                          |
| Warrants and accounts payable   | <u>-</u>                         | <u>-</u>                                    | <u>4,903</u>             |
| Total Liabilities               | <u>-</u>                         | <u>-</u>                                    | <u>4,903</u>             |
| <b>Net Position</b>             |                                  |                                             |                          |
| Restricted for OPEB purposes    | 1,099,119                        | -                                           | -                        |
| Restricted for other purposes   | <u>-</u>                         | <u>101,962</u>                              | <u>465,068</u>           |
| Total Net Position              | \$ <u><u>1,099,119</u></u>       | \$ <u><u>101,962</u></u>                    | \$ <u><u>465,068</u></u> |

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

**TOWN OF DOUGLAS, MASSACHUSETTS**

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

|                                                                      | <u>OPEB<br/>Trust Fund</u> | <u>Private<br/>Purpose<br/>Trust Funds</u> | <u>Custodial<br/>Fund</u> |
|----------------------------------------------------------------------|----------------------------|--------------------------------------------|---------------------------|
| <b>Additions</b>                                                     |                            |                                            |                           |
| Contributions                                                        |                            |                                            |                           |
| Employer                                                             | \$ 363,216                 | \$ -                                       | \$ -                      |
| Total contributions                                                  | 363,216                    | -                                          | -                         |
| Investment Income                                                    |                            |                                            |                           |
| Interest                                                             | 75,856                     | 1,137                                      | 68                        |
| (Decrease) in fair value of investments                              | <u>(258,372)</u>           | <u>(1,746)</u>                             | <u>-</u>                  |
| Net investment income (loss)                                         | (182,516)                  | (609)                                      | 68                        |
| Taxes collected for other governments                                | -                          | -                                          | 63,415                    |
| Fees collected for students                                          | -                          | -                                          | 137,073                   |
| Miscellaneous                                                        | <u>19</u>                  | <u>-</u>                                   | <u>174,296</u>            |
| Total Additions                                                      | 180,719                    | (609)                                      | 374,852                   |
| <b>Deductions</b>                                                    |                            |                                            |                           |
| Benefit payments to plan members,<br>beneficiaries and other systems | 268,216                    | -                                          | -                         |
| Payment of taxes to other governments                                | -                          | -                                          | 63,415                    |
| Payments on behalf of students                                       | -                          | -                                          | 128,488                   |
| Other                                                                | <u>-</u>                   | <u>1,100</u>                               | <u>149,467</u>            |
| Total deductions                                                     | <u>268,216</u>             | <u>1,100</u>                               | <u>341,370</u>            |
| Change in Net Position                                               | (87,497)                   | (1,709)                                    | 33,482                    |
| <b>Net Position Restricted for OPEB and Other Purposes</b>           |                            |                                            |                           |
| Beginning of Year                                                    | <u>1,186,616</u>           | <u>103,671</u>                             | <u>431,586</u>            |
| End of Year                                                          | \$ <u><u>1,099,119</u></u> | \$ <u><u>101,962</u></u>                   | \$ <u><u>465,068</u></u>  |

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

## TOWN OF DOUGLAS, MASSACHUSETTS

### Notes to Financial Statements

#### 1. Summary of Significant Accounting Policies

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

##### ***Reporting Entity***

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

##### ***Government-Wide and Fund Financial Statements***

###### *Government-Wide Financial Statements*

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

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

###### *Fund Financial Statements*

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

## ***Measurement Focus, Basis of Accounting, and Financial Statements Presentation***

### ***Government-Wide Financial Statements***

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

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

### ***Fund Financial Statements***

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

The Town reports the following major governmental funds:

- The *General Fund* is the 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.
- The *Receipts Reserved Fund* accounts primarily for the operations pertaining to ambulance and cable services. In addition this fund accounted for proceeds from the sale of land.
- The *School Choice Fund* accounts for state revenues received for students coming into the school department from other towns.
- The *Town Federal Grants Fund* accounts for Federal revenues received by the Town and utilized for various purposes.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports the following major proprietary funds:

- Water/Sewer operations

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

The Town reports the following fiduciary funds:

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

### ***Cash and Investments***

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

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

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

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

The Town invests in the Massachusetts Municipal Depository Trust (MMDT) Cash Portfolio, an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts. This cash portfolio meets the requirements of GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Investments are valued at amortized cost, which approximates the net asset value of \$1 per share.

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

### ***Property Tax Limitations***

Legislation known as “Proposition 2½” has limited the amount of revenue that can be derived from property taxes. The prior fiscal year’s tax levy limit is used as a base and cannot increase by more than 2.5% (excluding new growth), unless an override is voted. The actual fiscal year 2022 tax levy reflected an excess capacity of \$32,250. Certain provisions of Proposition 2 ½ can be overridden by a referendum.

### ***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u>         | <u>Years</u> |
|-----------------------|--------------|
| Buildings             | 40           |
| Building improvements | 20           |
| Infrastructure        | 30 - 75      |
| Vehicles              | 5            |
| Office equipment      | 5            |
| Computer equipment    | 5            |

***Compensated Absences***

Per individual contractual agreement, the Town permits employees to accumulate earned but unused vacation and sick pay benefits. Per the Police Union Contract, at the time of retirement from the Department, an employee shall receive fifty percent (50%) of all accumulated sick leave at their straight time hourly rate of pay. This shall not exceed 50% of the maximum accumulated time of any fiscal year of the contract. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

***Long-Term Obligations***

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

***Fund Equity***

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

***Fund Balance***

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

- Nonspendable represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes nonmajor governmental fund reserves for the principal portion of permanent trust funds.
- Restricted represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes General Fund debt service reserve, various special revenue and capital project funds, and the income portion of permanent trust funds.
- Committed represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town’s highest level of decision-making authority. This fund balance classification includes General Fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting resolution, and surplus appropriated for specific expenditure purposes.

- Assigned represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes General Fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period. In addition this fund balance includes reserves for expenditures for the subsequent year's operating budget.
- Unassigned represents amounts that are available to be spent in future periods, the general stabilization fund, and deficit funds.

#### *Net Position*

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

#### *Use of Estimates*

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

## **2. Stewardship, Compliance, and Accountability**

#### ***Budgetary Information***

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

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the General Fund and proprietary funds.

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

#### ***Deficit Fund Equity***

Certain individual grant funds reflected deficit balances as of June 30, 2022.

It is anticipated that the deficits on these grant funds will be eliminated through future grant revenues.

### **3. Deposits and Investments**

#### ***Town (Excluding OPEB Trust Fund)***

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

#### ***Custodial Credit Risk – Deposits***

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the Town's deposits "in a bank or trust company or banking company to an amount not exceeding 60% of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The Town's policies related to the custodial credit risk of deposits are that the Town will review the financial institution's financial statements and the background of the sales representative. The intent of this qualification is to limit the Town's exposure to only those institutions with a proven financial strength, Capital adequacy of the firm, and overall affirmative reputation in the municipal industry. Further, all securities not held directly by the Town, will be held in the Town's name and tax identification number by a third-party custodian approved by the

Treasurer and evidenced by safekeeping receipts showing individual CUSIP numbers for each security.

As of June 30, 2022, none of the Town's bank balances of \$20,551,467 was exposed to custodial credit risk as uninsured and/or uncollateralized. Additionally, \$47,918 was invested in a state pool, which is not subject to this disclosure.

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

| <u>Investment Type</u>                | <u>Amount</u>       |
|---------------------------------------|---------------------|
| Corporate bonds                       | \$ 623,835          |
| Corporate equities                    | 360,399             |
| Exchange traded funds                 | 125,784             |
| Federal agency securities             | 126,847             |
| Market-linked certificates of deposit | 172,785             |
| U.S. Treasury notes                   | <u>340,406</u>      |
| Total investments                     | <u>\$ 1,750,056</u> |

#### ***Custodial Credit Risk – Investments***

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town's custodial credit risk policy is to review the financial institution's financial statements and the background of the Advisor. The intent of this qualification is to limit the Town's exposure to only those institutions with a proven financial strength, Capital adequacy of the firm, and overall affirmative reputation in the municipal industry. Further, all securities not held directly by the Town, will be held in the Town's name and tax identification number by a third-party custodian approved by the Treasurer and evidenced by safekeeping receipts showing individual CUSIP numbers for each security. The Town's investments are not subject to custodial credit risk.

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

#### ***Credit Risk – Investments in Debt Securities***

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs). The Town's policies related to credit risk are there will be no limit to the amount of United States Treasury and United States Government Agency obligations. In regard to fixed-income investments, the Town will only purchase investment grade securities. Lower-quality

investments may only be held through diversified vehicles, such as mutual funds or exchange-traded funds. Investments in fixed income securities will be made primarily for income and capital preservation.

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

| <u>Investment Type</u>    | <u>Amount</u>     | <u>Rating as of Year End</u> |                   |                    |
|---------------------------|-------------------|------------------------------|-------------------|--------------------|
|                           |                   | <u>AAA</u>                   | <u>A2 - A1</u>    | <u>Baa1 - Baa2</u> |
| Corporate bonds           | \$ 623,835        | \$ -                         | \$ 303,522        | \$ 320,313         |
| Federal agency securities | <u>126,847</u>    | <u>126,847</u>               | <u>-</u>          | <u>-</u>           |
| Total                     | <u>\$ 750,682</u> | <u>\$ 126,847</u>            | <u>\$ 303,522</u> | <u>\$ 320,313</u>  |

#### ***Concentration of Credit Risk - Investments***

The Town places no limit on the amount the Town may invest in any one issuer. The Town's policies related to concentration of credit risk exposure include diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Securities of a single corporate issuer (with the exception of the United States Government and its Agencies) will not exceed 5% of the portfolio value.

Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit disclosure.

As of June 30, 2022, the Town does not have an investment in one issuer greater than 5% of total investments.

#### ***Interest Rate Risk – Investments in Debt Securities***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town's policy related to interest rate risk is to manage duration, as a measure of interest rate sensitivity.

Information about the sensitivity of the Town's investments to market interest rate fluctuations is as follows:

| <u>Investment Type</u>                | <u>Amount</u>       | Investment Maturities<br>(in Years) |                   |                   |                   |
|---------------------------------------|---------------------|-------------------------------------|-------------------|-------------------|-------------------|
|                                       |                     | Less<br><u>Than 1</u>               | <u>1-5</u>        | <u>6-10</u>       | <u>N/A</u>        |
| Corporate bonds                       | \$ 623,835          | \$ -                                | \$ 553,366        | \$ 70,469         | \$ -              |
| Corporate equities                    | 360,399             | -                                   | -                 | -                 | 360,399           |
| Exchange traded funds                 | 125,784             | -                                   | -                 | -                 | 125,784           |
| Federal agency securities             | 126,847             | -                                   | 30,083            | 96,764            | -                 |
| Market-linked certificates of deposit | 172,785             | 134,945                             | 37,840            | -                 | -                 |
| U.S. Treasury notes                   | 340,406             | -                                   | 214,908           | 125,498           | -                 |
| Total                                 | \$ <u>1,750,056</u> | \$ <u>134,945</u>                   | \$ <u>836,197</u> | \$ <u>292,731</u> | \$ <u>486,183</u> |

### ***Foreign Currency Risk – Investments***

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town's policy for foreign currency risk is the Town will, as much as feasibly, mitigate foreign currency risk.

### ***Fair Value***

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

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

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

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

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

|                                       |                     | Fair Value Measurements Using:                                             |                                                  |                                                    |
|---------------------------------------|---------------------|----------------------------------------------------------------------------|--------------------------------------------------|----------------------------------------------------|
|                                       |                     | Quoted prices<br>in active<br>markets for<br>identical assets<br>(Level 1) | Significant<br>observable<br>inputs<br>(Level 2) | Significant<br>unobservable<br>inputs<br>(Level 3) |
| <u>Investment Type</u>                | <u>Amount</u>       |                                                                            |                                                  |                                                    |
| Investments by fair value level:      |                     |                                                                            |                                                  |                                                    |
| Corporate bonds                       | \$ 623,835          | \$ -                                                                       | \$ 623,835                                       | \$ -                                               |
| Corporate equities                    | 360,399             | 360,399                                                                    | -                                                | -                                                  |
| Exchange traded funds                 | 125,784             | 125,784                                                                    | -                                                | -                                                  |
| Federal agency securities             | 126,847             | -                                                                          | 126,847                                          | -                                                  |
| Market-linked certificates of deposit | 172,785             | -                                                                          | 172,785                                          | -                                                  |
| U.S. Treasury notes                   | <u>340,406</u>      | <u>340,406</u>                                                             | <u>-</u>                                         | <u>-</u>                                           |
| Total                                 | <u>\$ 1,750,056</u> | <u>\$ 826,589</u>                                                          | <u>\$ 923,467</u>                                | <u>\$ -</u>                                        |

Equity securities, exchange traded funds, and U.S. treasury notes classified in Level 1 are valued using prices quoted in active markets for those securities.

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

#### 4. Investments – OPEB Trust Fund

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

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

| <u>Investment Type</u>    | <u>Amount</u>       |
|---------------------------|---------------------|
| Corporate equities        | \$ 69,412           |
| Equity mutual funds       | 695,284             |
| Fixed income mutual funds | <u>328,673</u>      |
| Total investments         | \$ <u>1,093,369</u> |

***Custodial Credit Risk***

As of June 30, 2022, none of the Town's investments in the OPEB Trust Fund were exposed to custodial credit risk exposure as all assets were held in the Town's name.

***Concentration of Credit Risk***

As of June 30, 2022, the OPEB Trust fund does not have investments in any one issuer that exceeded 5% of total investments.

***Fair Value***

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

|                                  |                     | Fair Value<br>Measurements<br>Using:                                              |                                                         |                                                           |
|----------------------------------|---------------------|-----------------------------------------------------------------------------------|---------------------------------------------------------|-----------------------------------------------------------|
| <u>Investment Type</u>           | <u>Amount</u>       | Quoted prices<br>in active<br>markets for<br>identical assets<br><u>(Level 1)</u> | Significant<br>observable<br>inputs<br><u>(Level 2)</u> | Significant<br>unobservable<br>inputs<br><u>(Level 3)</u> |
| Investments by fair value level: |                     |                                                                                   |                                                         |                                                           |
| Corporate equities               | \$ 69,412           | \$ 69,412                                                                         | \$ -                                                    | \$ -                                                      |
| Equity mutual funds              | 695,284             | -                                                                                 | 695,284                                                 | -                                                         |
| Fixed income mutual funds        | <u>328,673</u>      | <u>-</u>                                                                          | <u>328,673</u>                                          | <u>-</u>                                                  |
| Total                            | \$ <u>1,093,369</u> | \$ <u>69,412</u>                                                                  | \$ <u>1,023,957</u>                                     | \$ <u>-</u>                                               |

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

**5. Property Taxes and Excises Receivables**

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

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

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

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

Motor vehicle excise taxes are assessed annually for every motor vehicle and trailer registered in the Commonwealth. The Registry of Motor Vehicles annually calculates the value of all registered motor vehicles for the purpose of excise assessment. The amount of motor vehicle excise tax due is calculated using a fixed rate of \$25 per \$1000 of value.

Boat excise taxes are assessed annually for all water vessels, including documented boats and ships, used or capable of being used for transportation on water. A boat excise is assessed by the community where the vessel is moored. July 1 is the assessing date for all vessels, and the boat excise due is calculated using a fixed rate of \$10 per \$1,000 of value.

Property taxes and excise receivables at June 30, 2022 consist of the following:

|                         | Gross<br>Amount<br>(fund basis) | Current<br>Portion | Long-<br>Term<br>Portion |
|-------------------------|---------------------------------|--------------------|--------------------------|
| Real estate taxes       | \$ 329,854                      | \$ 329,854         | \$ -                     |
| Personal property taxes | 29,117                          | 29,117             | -                        |
| Tax liens               | <u>560,846</u>                  | <u>26,564</u>      | <u>534,282</u>           |
| Total property taxes    | <u>\$ 919,817</u>               | <u>\$ 385,535</u>  | <u>\$ 534,282</u>        |
| Motor vehicle excise    | \$ 221,990                      | \$ 221,990         |                          |
| Boat excise             | <u>5,572</u>                    | <u>5,572</u>       |                          |
| Total excises           | <u>\$ 227,562</u>               | <u>\$ 227,562</u>  |                          |

#### ***Taxes Collected for Others***

The Town collects taxes for the Whittin Reservoir Watershed District. Payments to the other taxing units are normally made throughout the year. The ultimate responsibility for the collection of the taxes rests with the Town.

## 6. User Fee Receivables

Receivables for user charges at June 30, 2022 consist of the following:

|           | Gross<br><u>Amount</u> | Allowance<br>for Doubtful<br><u>Accounts</u> | Net<br><u>Amount</u> |
|-----------|------------------------|----------------------------------------------|----------------------|
| Water     | \$ 262,744             | \$ -                                         | \$ 262,744           |
| Sewer     | 271,282                | -                                            | 271,282              |
| Ambulance | <u>906,246</u>         | <u>(638,161)</u>                             | <u>268,085</u>       |
| Total     | <u>\$ 1,440,272</u>    | <u>\$ (638,161)</u>                          | <u>\$ 802,111</u>    |

## 7. Intergovernmental Receivables

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

## 8. Transfers

The Town reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The following is an analysis of major interfund transfers.

| <u>Governmental Funds:</u>     | <u>Transfers In</u> | <u>Transfers Out</u> |
|--------------------------------|---------------------|----------------------|
| General Fund                   | \$ 464,555          | \$ 359,925           |
| Receipts Reserved Major Fund   | 15,139              | 444,555              |
| Town Federal Grants Major Fund | 24,810              | -                    |
| Nonmajor Governmental Funds:   |                     |                      |
| Special Revenue Funds          | <u>-</u>            | <u>20,000</u>        |
| Subtotal Nonmajor Funds        | -                   | 20,000               |
| <u>Business-Type Funds:</u>    |                     |                      |
| Water/Sewer Fund               | <u>319,976</u>      | <u>-</u>             |
| Subtotal Business-Type Funds   | <u>319,976</u>      | <u>-</u>             |
| Total                          | <u>\$ 824,480</u>   | <u>\$ 824,480</u>    |

The \$319,976 transferred out of the General Fund represents the Town's annual transfer to pay a portion of the water/sewer enterprise debt service expenses. The majority of the transfers out of the receipts reserved fund consist of \$370,000 from the ambulance fund. The Town's other routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the General Fund to other funds based on budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to expend them.

## 9. Capital Assets

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

|                                              | Beginning<br>Balance | Increases         | Decreases   | Ending<br>Balance |
|----------------------------------------------|----------------------|-------------------|-------------|-------------------|
| <b>Governmental Activities</b>               |                      |                   |             |                   |
| Capital assets, being depreciated:           |                      |                   |             |                   |
| Buildings and improvements                   | \$ 82,098            | \$ 22             | \$ -        | \$ 82,120         |
| Machinery, equipment, and furnishings        | 10,150               | 237               | (5)         | 10,382            |
| Infrastructure                               | <u>12,631</u>        | <u>-</u>          | <u>-</u>    | <u>12,631</u>     |
| Total capital assets, being depreciated      | 104,879              | 259               | (5)         | 105,133           |
| Less accumulated depreciation for:           |                      |                   |             |                   |
| Buildings and improvements                   | (22,098)             | (2,042)           | -           | (24,140)          |
| Machinery, equipment, and furnishings        | (7,951)              | (448)             | 5           | (8,394)           |
| Infrastructure                               | <u>(3,938)</u>       | <u>(448)</u>      | <u>-</u>    | <u>(4,386)</u>    |
| Total accumulated depreciation               | <u>(33,987)</u>      | <u>(2,938)</u>    | <u>5</u>    | <u>(36,920)</u>   |
| Capital assets, being depreciated, net       | 70,892               | (2,679)           | -           | 68,213            |
| Capital assets, not being depreciated:       |                      |                   |             |                   |
| Land                                         | 6,471                | 267               | -           | 6,738             |
| Construction in progress                     | <u>-</u>             | <u>597</u>        | <u>-</u>    | <u>597</u>        |
| Total capital assets, not being depreciated  | <u>6,471</u>         | <u>864</u>        | <u>-</u>    | <u>7,335</u>      |
| Governmental activities capital assets, net  | <u>\$ 77,363</u>     | <u>\$ (1,815)</u> | <u>\$ -</u> | <u>\$ 75,548</u>  |
|                                              | Beginning<br>Balance | Increases         | Decreases   | Ending<br>Balance |
| <b>Business-Type Activities</b>              |                      |                   |             |                   |
| Capital assets, being depreciated:           |                      |                   |             |                   |
| Buildings and improvements                   | \$ 8,121             | \$ -              | \$ -        | \$ 8,121          |
| Machinery, equipment, and furnishings        | 649                  | 17                | -           | 666               |
| Infrastructure                               | <u>5,588</u>         | <u>-</u>          | <u>-</u>    | <u>5,588</u>      |
| Total capital assets, being depreciated      | 14,358               | 17                | -           | 14,375            |
| Less accumulated depreciation for:           |                      |                   |             |                   |
| Buildings and improvements                   | (3,031)              | (191)             | -           | (3,222)           |
| Machinery, equipment, and furnishings        | (298)                | (38)              | -           | (336)             |
| Infrastructure                               | <u>(3,699)</u>       | <u>(138)</u>      | <u>-</u>    | <u>(3,837)</u>    |
| Total accumulated depreciation               | <u>(7,028)</u>       | <u>(367)</u>      | <u>-</u>    | <u>(7,395)</u>    |
| Capital assets, being depreciated, net       | 7,330                | (350)             | -           | 6,980             |
| Capital assets, not being depreciated:       |                      |                   |             |                   |
| Land                                         | 801                  | -                 | -           | 801               |
| Construction in progress                     | <u>96</u>            | <u>1,494</u>      | <u>-</u>    | <u>1,590</u>      |
| Total capital assets, not being depreciated  | <u>897</u>           | <u>1,494</u>      | <u>-</u>    | <u>2,391</u>      |
| Business-type activities capital assets, net | <u>\$ 8,227</u>      | <u>\$ 1,144</u>   | <u>\$ -</u> | <u>\$ 9,371</u>   |

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

|                                |                 |
|--------------------------------|-----------------|
| Governmental Activities        |                 |
| General government             | \$ 271          |
| Public safety                  | 212             |
| Education                      | 1,930           |
| Public works                   | 508             |
| Health and human services      | 2               |
| Culture and recreation         | <u>15</u>       |
| Total governmental activities  | \$ <u>2,938</u> |
| Business-Type Activities       |                 |
| Water/Sewer                    | \$ 366          |
| Transfer station               | <u>1</u>        |
| Total business-type activities | \$ <u>367</u>   |

#### **10. Deferred Outflows of Resources**

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

#### **11. Accrued Liabilities**

Accrued liabilities expenses represent fiscal year 2022 expenditures paid in fiscal year 2023, primarily made up of teachers' summer pay.

#### **12. Unearned Revenues**

Unearned revenues represent the receipt of ARPA funds that will be recognized in future years.

#### **13. Long-Term Debt**

##### ***General Obligation Bonds and Loans***

The Town issues general obligation bonds and direct borrowings to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been

issued for both governmental and business-type activities. General obligation bonds and direct borrowings currently outstanding are as follows:

| <u>Governmental Activities</u>                                      |                           |                                          |                               | Amount<br>Outstanding<br>as of<br>6/30/22 |
|---------------------------------------------------------------------|---------------------------|------------------------------------------|-------------------------------|-------------------------------------------|
| <u>General Obligation Bonds</u>                                     | <u>Original<br/>Issue</u> | <u>Serial<br/>Maturities<br/>Through</u> | <u>Interest<br/>Rate(s) %</u> |                                           |
| Public offerings:                                                   |                           |                                          |                               |                                           |
| School building, department equipment,<br>and Town building remodel | 3,971,988                 | 06/30/31                                 | 2.00%                         | \$ 2,400,000                              |
| Refunding                                                           | 12,825,000                | 02/15/32                                 | 5.00%                         | <u>10,540,000</u>                         |
| Total Governmental Activities                                       |                           |                                          |                               | <u>\$ 12,940,000</u>                      |

| <u>Business-Type Activities</u> |                           |                                          |                               | Amount<br>Outstanding<br>as of<br>6/30/22 |
|---------------------------------|---------------------------|------------------------------------------|-------------------------------|-------------------------------------------|
| <u>General Obligation Bonds</u> | <u>Original<br/>Issue</u> | <u>Serial<br/>Maturities<br/>Through</u> | <u>Interest<br/>Rate(s) %</u> |                                           |
| Public offerings:               |                           |                                          |                               |                                           |
| Water                           | \$ 125,000                | 06/30/31                                 | 3.00%                         | \$ <u>90,000</u>                          |
| Total public offerings          |                           |                                          |                               | <u>90,000</u>                             |
| Total general obligation bonds  |                           |                                          |                               | 90,000                                    |

| <u>Loans - Direct Borrowings</u> |           |          |       |                     |
|----------------------------------|-----------|----------|-------|---------------------|
| Sewer plant - MWPAT              | 300,000   | 07/15/24 | 2.00% | 57,632              |
| Sewer plant - MWPAT              | 5,670,506 | 02/01/25 | 2.00% | <u>1,220,931</u>    |
| Total loans - direct borrowings  |           |          |       | <u>1,278,563</u>    |
| Total Business-Type Activities   |           |          |       | <u>\$ 1,368,563</u> |

### ***Future Debt Service***

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2022 are as follows:

| <u>Governmental</u> | <u>Bonds - Public Offerings</u> |                     | <u>Loans - Direct Borrowings</u> |                 |                      |
|---------------------|---------------------------------|---------------------|----------------------------------|-----------------|----------------------|
| <u>Year</u>         | <u>Principal</u>                | <u>Interest</u>     | <u>Principal</u>                 | <u>Interest</u> | <u>Total</u>         |
| 2023                | \$ 1,170,000                    | \$ 559,575          | \$ -                             | \$ -            | \$ 1,729,575         |
| 2024                | 1,225,000                       | 504,375             | -                                | -               | 1,729,375            |
| 2025                | 1,240,000                       | 446,525             | -                                | -               | 1,686,525            |
| 2026                | 1,215,000                       | 393,975             | -                                | -               | 1,608,975            |
| 2027                | 1,260,000                       | 340,425             | -                                | -               | 1,600,425            |
| 2028 - 2032         | <u>6,830,000</u>                | <u>826,750</u>      | <u>-</u>                         | <u>-</u>        | <u>7,656,750</u>     |
| Total               | <u>\$ 12,940,000</u>            | <u>\$ 3,071,625</u> | <u>\$ -</u>                      | <u>\$ -</u>     | <u>\$ 16,011,625</u> |

| <u>Business-Type</u> | <u>Bonds - Public Offerings</u> |                  | <u>Loans - Direct Borrowings</u> |                   | <u>Total</u>        |
|----------------------|---------------------------------|------------------|----------------------------------|-------------------|---------------------|
|                      | <u>Principal</u>                | <u>Interest</u>  | <u>Principal</u>                 | <u>Interest</u>   |                     |
| 2023                 | \$ 10,000                       | \$ 2,550         | \$ 412,953                       | \$ 59,781         | \$ 485,284          |
| 2024                 | 10,000                          | 2,150            | 430,470                          | 39,509            | 482,129             |
| 2025                 | 10,000                          | 1,750            | 435,140                          | 18,121            | 465,011             |
| 2026                 | 10,000                          | 1,750            | -                                | 196               | 11,946              |
| 2027                 | 10,000                          | 1,350            | -                                | -                 | 11,350              |
| 2028 - 2031          | 40,000                          | 2,250            | -                                | -                 | 42,250              |
| Total                | <u>\$ 90,000</u>                | <u>\$ 11,800</u> | <u>\$ 1,278,563</u>              | <u>\$ 117,607</u> | <u>\$ 1,497,970</u> |

### ***Changes in Long-Term Liabilities***

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

|                                   | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending<br/>Balance</u> | <u>Less<br/>Current<br/>Portion</u> | <u>Equals<br/>Long-Term<br/>Portion</u> |
|-----------------------------------|------------------------------|------------------|-------------------|---------------------------|-------------------------------------|-----------------------------------------|
| <b>Governmental Activities</b>    |                              |                  |                   |                           |                                     |                                         |
| Bonds payable:                    |                              |                  |                   |                           |                                     |                                         |
| Public offerings                  | \$ 14,530                    | \$ -             | \$ (1,590)        | \$ 12,940                 | \$ (1,170)                          | \$ 11,770                               |
| Unamortized premium               | <u>1,141</u>                 | <u>-</u>         | <u>(105)</u>      | <u>1,036</u>              | <u>(105)</u>                        | <u>931</u>                              |
| Subtotal                          | 15,671                       | -                | (1,695)           | 13,976                    | (1,275)                             | 12,701                                  |
| Net pension liability             | 15,486                       | -                | (1,185)           | 14,301                    | -                                   | 14,301                                  |
| Net OPEB liability                | 24,013                       | -                | (6,814)           | 17,199                    | -                                   | 17,199                                  |
| Compensated absences              | 125                          | -                | 20                | 145                       | (8)                                 | 137                                     |
| Landfill liability                | <u>400</u>                   | <u>-</u>         | <u>(20)</u>       | <u>380</u>                | <u>(20)</u>                         | <u>360</u>                              |
| Total                             | <u>\$ 55,695</u>             | <u>\$ -</u>      | <u>\$ (9,694)</u> | <u>\$ 46,001</u>          | <u>\$ (1,303)</u>                   | <u>\$ 44,698</u>                        |
| <b>Business-Type Activities</b>   |                              |                  |                   |                           |                                     |                                         |
| Bonds and loans payable:          |                              |                  |                   |                           |                                     |                                         |
| Public offerings                  | \$ 100                       | \$ -             | \$ (10)           | \$ 90                     | \$ (10)                             | \$ 80                                   |
| Loans payable (direct borrowings) | <u>1,678</u>                 | <u>-</u>         | <u>(399)</u>      | <u>1,279</u>              | <u>(413)</u>                        | <u>866</u>                              |
| Subtotal                          | 1,778                        | -                | (409)             | 1,369                     | (423)                               | 946                                     |
| Net pension liability             | 261                          | -                | (20)              | 241                       | -                                   | 241                                     |
| Net OPEB liability                | 405                          | -                | (135)             | 270                       | -                                   | 270                                     |
| Compensated absences              | <u>9</u>                     | <u>-</u>         | <u>7</u>          | <u>16</u>                 | <u>-</u>                            | <u>16</u>                               |
| Total                             | <u>\$ 2,453</u>              | <u>\$ -</u>      | <u>\$ (557)</u>   | <u>\$ 1,896</u>           | <u>\$ (423)</u>                     | <u>\$ 1,473</u>                         |

***Long-Term Debt Supporting Governmental and Business-Type Activities***

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

**14. Landfill Closure and Post Closure Care Costs**

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

The \$380,000 reported as landfill post closure care liability at June 30, 2022 represents the remaining estimated post closure maintenance costs. These amounts are based on what it would cost to perform all post closure care in 2022. Actual cost maybe higher due to inflation, changes in technology, or changes in regulations.

**15. Deferred Inflows of Resources**

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

## 16. Governmental Funds - Balances

The following is a breakdown of the Town's fund balances at June 30, 2022 are comprised of the following:

|                                         | General<br>Fund | Receipts<br>Reserved<br>Fund | School<br>Choice<br>Fund | Town<br>Federal<br>Grants<br>Fund | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-----------------------------------------|-----------------|------------------------------|--------------------------|-----------------------------------|-----------------------------------|--------------------------------|
| Nonspendable                            |                 |                              |                          |                                   |                                   |                                |
| Permanent funds                         | \$ -            | \$ -                         | \$ -                     | \$ -                              | \$ 37,502                         | \$ 37,502                      |
| Total Nonspendable                      | -               | -                            | -                        | -                                 | 37,502                            | 37,502                         |
| Restricted                              |                 |                              |                          |                                   |                                   |                                |
| Debt service                            | 140,660         | -                            | -                        | -                                 | -                                 | 140,660                        |
| Special revenue funds:                  |                 |                              |                          |                                   |                                   |                                |
| Ambulance                               | -               | 731,918                      | -                        | -                                 | -                                 | 731,918                        |
| Cable                                   | -               | 301,774                      | -                        | -                                 | -                                 | 301,774                        |
| Proceeds of Sale of Land Eminent Domain | -               | 235,000                      | -                        | -                                 | -                                 | 235,000                        |
| School choice                           | -               | -                            | 2,005,282                | -                                 | -                                 | 2,005,282                      |
| Circuit breaker                         | -               | -                            | -                        | -                                 | 710,325                           | 710,325                        |
| School lunch                            | -               | -                            | -                        | -                                 | 198,180                           | 198,180                        |
| Other                                   | -               | 32,890                       | -                        | 107,145                           | 731,213                           | 871,248                        |
| Capital project fund                    | -               | -                            | -                        | -                                 | 34,365                            | 34,365                         |
| Permanent funds                         | -               | -                            | -                        | -                                 | 76,195                            | 76,195                         |
| Total Restricted                        | 140,660         | 1,301,582                    | 2,005,282                | 107,145                           | 1,750,278                         | 5,304,947                      |
| Committed                               |                 |                              |                          |                                   |                                   |                                |
| Continuing appropriations:              |                 |                              |                          |                                   |                                   |                                |
| General government                      | 1,194,400       | -                            | -                        | -                                 | -                                 | 1,194,400                      |
| Public safety                           | 1,166,937       | -                            | -                        | -                                 | -                                 | 1,166,937                      |
| Culture and recreation                  | 86,410          | -                            | -                        | -                                 | -                                 | 86,410                         |
| Capital budget                          | 1,445,048       | -                            | -                        | -                                 | -                                 | 1,445,048                      |
| Total Committed                         | 3,892,795       | -                            | -                        | -                                 | -                                 | 3,892,795                      |
| Assigned                                |                 |                              |                          |                                   |                                   |                                |
| Encumbrances:                           |                 |                              |                          |                                   |                                   |                                |
| General government                      | 10,875          | -                            | -                        | -                                 | -                                 | 10,875                         |
| Public safety                           | 7,979           | -                            | -                        | -                                 | -                                 | 7,979                          |
| Education                               | 37,652          | -                            | -                        | -                                 | -                                 | 37,652                         |
| Operating budget                        | 327,347         | -                            | -                        | -                                 | -                                 | 327,347                        |
| Other                                   | 100             | -                            | -                        | -                                 | -                                 | 100                            |
| Total Assigned                          | 383,953         | -                            | -                        | -                                 | -                                 | 383,953                        |
| Unassigned                              |                 |                              |                          |                                   |                                   |                                |
| General fund                            | 3,023,098       | -                            | -                        | -                                 | -                                 | 3,023,098                      |
| General stabilization fund              | 1,561,543       | -                            | -                        | -                                 | -                                 | 1,561,543                      |
| Deficits                                | -               | -                            | -                        | -                                 | (632,562)                         | (632,562)                      |
| Total Unassigned                        | 4,584,641       | -                            | -                        | -                                 | (632,562)                         | 3,952,079                      |
| Total Fund Balance                      | \$ 9,002,049    | \$ 1,301,582                 | \$ 2,005,282             | \$ 107,145                        | \$ 1,155,218                      | \$ 13,571,276                  |

## 17. Worcester Regional Retirement System

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

### ***Plan Description***

Substantially all eligible employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Worcester Regional Retirement System (the System), a cost-sharing, multiple-employer public employee

retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publicly available from the System located at Worcester Regional Retirement System at 23 Midstate Drive, Suite 106, Midstate Office Park, Auburn, Massachusetts 01501 or from the System's website at [www.worcesterregionalretirement.org](http://www.worcesterregionalretirement.org).

#### *Participant Contributions*

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

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

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

#### *Participant Retirement Benefits*

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

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest 5-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100%, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

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

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

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

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

#### *Methods of Payment*

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

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.
- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the

retiree, the benefit payable increases (or “pops up” to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable “pops up” to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

#### *Participant Refunds*

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

#### *Employer Contributions*

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

The Town’s contribution to the System for the year ended June 30, 2022 was \$1,277,098, which was equal to its annual required contribution.

#### ***Summary of Significant Accounting Policies***

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

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

At June 30, 2022, the Town reported a liability of \$14,542,025 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the Town’s proportion was 1.727054%, which was a decrease of 0.045488% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the Town recognized pension expense of \$1,402,854. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                                                      | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience                                                   | \$ -                                 | \$ 304,144                          |
| Changes of assumptions                                                                               | 1,250,435                            | -                                   |
| Net difference between projected and actual earnings on pension plan investments                     | -                                    | 2,051,641                           |
| Changes in proportion and differences between contributions and proportionate share of contributions | <u>146,040</u>                       | <u>478,245</u>                      |
| Total                                                                                                | \$ <u>1,396,475</u>                  | \$ <u>2,834,030</u>                 |

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

| <u>Year ended June 30:</u> |                       |
|----------------------------|-----------------------|
| 2023                       | \$ (215,954)          |
| 2024                       | (604,581)             |
| 2025                       | (377,302)             |
| 2026                       | (294,275)             |
| 2027                       | <u>54,557</u>         |
| Total                      | \$ <u>(1,437,555)</u> |

### ***Actuarial Assumptions***

The total pension liability was determined by an actuarial valuation as of December 31, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

|                                           |                                                                                |
|-------------------------------------------|--------------------------------------------------------------------------------|
| Valuation Date                            | December 31, 2021                                                              |
| Actuarial cost method                     | Entry Age Normal                                                               |
| Actuarial assumptions:                    |                                                                                |
| Investment rate of return                 | 7.25%, previously 7.50%                                                        |
| Projected salary increases                | Group 1: 6% - 4.25%, based on service<br>Group 4: 7% - 4.75%, based on service |
| Inflation rate                            | 2.4% per year                                                                  |
| Post-retirement cost-of-living adjustment | 3% of the first \$16,000                                                       |
| Remaining amortization period             | 15 years                                                                       |

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2018. For disabled lives, the mortality rates were based on the RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2020.

### ***Target Allocations***

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

| <u>Asset Class</u>         | <u>Target<br/>Asset<br/>Allocation</u> | <u>Long-term<br/>Expected<br/>Real Rate<br/>of Return</u> |
|----------------------------|----------------------------------------|-----------------------------------------------------------|
| Global equity              | 38.00%                                 | 4.22%                                                     |
| Core Fixed income          | 15.00%                                 | 0.70%                                                     |
| Value-Added Fixed Income   | 8.00%                                  | 4.00%                                                     |
| Private equity             | 15.00%                                 | 7.70%                                                     |
| Real estate                | 10.00%                                 | 3.60%                                                     |
| Timberland                 | 4.00%                                  | 4.20%                                                     |
| Portfolio Completion (PCS) | 10.00%                                 | 3.00%                                                     |
| Total                      | <u>100.00%</u>                         |                                                           |

### ***Discount Rate***

The discount rate used to measure the total pension liability was 7.25% (changed from 7.50%). The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

| 1%<br>Decrease<br><u>(6.25%)</u> | Current<br>Discount<br>Rate<br><u>(7.25%)</u> | 1%<br>Increase<br><u>(8.25%)</u> |
|----------------------------------|-----------------------------------------------|----------------------------------|
| \$18,343,671                     | \$14,542,025                                  | \$11,329,721                     |

***Pension Plan Fiduciary Net Position***

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

**18. Massachusetts Teachers' Retirement System (MTRS)**

***Plan Description***

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

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

***Benefits Provided***

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average

annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last 5 years or any 5 consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

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

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

### ***Contributions***

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

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

### ***Actuarial Assumptions***

The total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of January 1, 2020 rolled forward to June 30, 2021. This valuation used the following assumptions:

- (a) 7.00% (changed from 7.15%) investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality through January 1, 2017.

- Mortality rates were as follows:
  - Pre-retirement – reflects Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).
  - Post-retirement – reflects Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct)
  - Disability – assumed to be in accordance with the Pub-2010 Teachers Retirees Mortality Table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).

### ***Target Allocations***

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2019 are summarized in the following table:

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

### ***Discount Rate***

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

### ***Sensitivity Analysis***

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

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

### ***Special Funding Situation***

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

### ***Town Proportions***

In fiscal year 2021 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability was approximately \$26,714,438 based on a proportionate share of 0.117649%. As required by GASB 68, the Town has recognized its portion of the Commonwealth's contribution of approximately \$2,057,075 as both a revenue and expenditure in the General Fund, and its portion of the collective pension expense of approximately \$86,847 as both a revenue and expense in the governmental activities.

## **19. Other Post-Employment Benefits (GASB 74 and GASB 75)**

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of *Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2014, the Town established a single employer defined benefit OPEB Trust Fund to provide funding for future employee health care costs. The OPEB Trust Fund does not issue a stand-alone financial report.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of *Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement identifies the

methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

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

### ***General Information about the OPEB Plan***

#### ***Plan Description***

The Town provides post-employment healthcare benefits for retired employees through the Town's plan. The Town provides health insurance coverage through Health Plans Inc. (HPI) and transitioned from Tufts Health Plan to AETNA in calendar year 2021. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws.

#### ***Benefits Provided***

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

#### ***Funding Policy***

The Town's funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute. Additional contributions are based on available budget compacity.

#### ***Plan Membership***

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

|                                               |                   |
|-----------------------------------------------|-------------------|
| Inactive (Retired) employees or beneficiaries |                   |
| currently receiving benefit payments          | 129               |
| Active employees and their dependents         | <u>255</u>        |
| Total                                         | <u><u>384</u></u> |

### ***Investments***

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

***Rate of return.*** For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was (14.8)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Actuarial Assumptions and Other Inputs**

The net OPEB liability was determined by an actuarial valuation as of July 1, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

|                             |                                            |
|-----------------------------|--------------------------------------------|
| Inflation                   | 3.00%                                      |
| Salary increases            | 3.00%, average, including inflation        |
| Investment rate of return   | 4.09%, net of OPEB plan investment expense |
| Municipal bond rate         | 4.09%                                      |
| Discount rate               | 4.09%                                      |
| Healthcare cost trend rates | 8.00%, decreasing to 5.00% ultimate        |
| Participation rate          | Medical: 80%, Life Insurance: 80%          |

Mortality rates were based on PRI-2012 mortality table with MP-2020 projection.

**Target Allocations**

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

| <u>Asset Class</u>   | <u>Target<br/>Asset<br/>Allocation</u> | <u>Long-term<br/>Expected Real<br/>Rate of Return</u> |
|----------------------|----------------------------------------|-------------------------------------------------------|
| Domestic equity      | 34.00%                                 | 4.66%                                                 |
| Domestic bond        | 22.00%                                 | 1.30%                                                 |
| International equity | 21.00%                                 | 5.88%                                                 |
| International bond   | 17.00%                                 | 1.33%                                                 |
| Alternatives         | 6.00%                                  | 5.28%                                                 |
| Total                | <u>100.00%</u>                         |                                                       |

**Contributions**

In addition to the implicit subsidy contribution, the Town's policy is to contribute the amounts provided annually by the budget.

**Discount Rate**

The discount rate used to measure the net OPEB liability was 4.09%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. As a result, a blended discount rate was used based on a combination of the investment rate of return of 4.09% and municipal bond rate of 4.09% thereafter (based on index provided by Standard and Poor's on 20-year municipal bond rate as of June 30, 2022).

**Net OPEB Liability**

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

|                                                                            |                      |
|----------------------------------------------------------------------------|----------------------|
| Total OPEB liability                                                       | \$ 18,568,869        |
| Plan fiduciary net position                                                | <u>1,099,119</u>     |
| Net OPEB liability                                                         | <u>\$ 17,469,750</u> |
|                                                                            |                      |
| Plan fiduciary net position as a<br>percentage of the total OPEB liability | 5.92%                |

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

**Changes in the Net OPEB Liability**

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

|                                                       | Increase (Decrease)            |                                          |                                    |
|-------------------------------------------------------|--------------------------------|------------------------------------------|------------------------------------|
|                                                       | Total OPEB<br>Liability<br>(a) | Plan<br>Fiduciary<br>Net Position<br>(b) | Net OPEB<br>Liability<br>(a) - (b) |
| Balances, beginning of year                           | \$ 25,604,537                  | \$ 1,186,616                             | \$ 24,417,921                      |
| Changes for the year:                                 |                                |                                          |                                    |
| Service cost                                          | 1,305,652                      | -                                        | 1,305,652                          |
| Interest                                              | 529,387                        | -                                        | 529,387                            |
| Contributions - employer                              | -                              | 363,216                                  | (363,216)                          |
| Net investment income (loss)                          | -                              | (182,516)                                | 182,516                            |
| Differences between expected<br>and actual experience | (247,507)                      | -                                        | (247,507)                          |
| Changes in assumptions                                | (8,354,984)                    |                                          | (8,354,984)                        |
| Benefit payments                                      | <u>(268,216)</u>               | <u>(268,216)</u>                         | <u>-</u>                           |
| Net Changes                                           | <u>(7,035,668)</u>             | <u>(87,516)</u>                          | <u>(6,948,152)</u>                 |
| Balances, end of year                                 | \$ <u>18,568,869</u>           | \$ <u>1,099,100</u>                      | \$ <u>17,469,769</u>               |

Changes in differences between expected and actual experience reflect a change in the mortality tables as noted above.

Changes of assumptions and other inputs reflect a change in the discount rate from 2.18% in 2021 to 4.09% in 2022.

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

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

| 1%<br>Decrease<br>(3.09%) | Current<br>Discount<br>Rate<br>(4.09%) | 1%<br>Increase<br>(5.09%) |
|---------------------------|----------------------------------------|---------------------------|
| \$ 21,844,265             | \$ 17,469,769                          | \$ 13,095,274             |

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

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

|                                  | Current<br>Healthcare<br>Cost Trend<br>Rates |                                  |
|----------------------------------|----------------------------------------------|----------------------------------|
| 1%<br>Decrease<br><u>(7.00%)</u> |                                              | 1%<br>Increase<br><u>(9.00%)</u> |
| \$ 13,651,156                    | \$ 17,469,769                                | \$ 22,190,993                    |

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

For the year ended June 30, 2021, the Town recognized an OPEB expense of \$545,257. At June 30, 2022, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

|                                                                      | Deferred<br>Outflows of<br><u>Resources</u> | Deferred<br>Inflows of<br><u>Resources</u> |
|----------------------------------------------------------------------|---------------------------------------------|--------------------------------------------|
| Difference between expected and actual experience                    | \$ 1,217,255                                | \$ 5,618,303                               |
| Change in assumptions                                                | 2,448,478                                   | 7,310,611                                  |
| Net difference between projected and actual OPEB investment earnings | <u>28,026</u>                               | <u>-</u>                                   |
| Total                                                                | \$ <u>3,693,759</u>                         | \$ <u>12,928,914</u>                       |

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as a reduction in OPEB expense as follows:

**Year Ended June 30:**

|            |                       |
|------------|-----------------------|
| 2023       | \$ (1,289,781)        |
| 2024       | (1,285,209)           |
| 2025       | (1,285,182)           |
| 2026       | (1,240,498)           |
| 2027       | (1,282,174)           |
| Thereafter | <u>(2,852,311)</u>    |
| Total      | \$ <u>(9,235,155)</u> |

## **20. Commitments and Contingencies**

### ***COVID-19***

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

### ***Outstanding Legal Issues***

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

### ***Grants***

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

### ***Encumbrances***

At year-end the Town's General Fund has \$56,506 in encumbrances that will be honored in the next fiscal year.

## **21. Subsequent Events**

Management has evaluated subsequent events through February 17, 2023, which is the date the financial statements were available to be issued.

**TOWN OF DOUGLAS, MASSACHUSETTS**

Required Supplemental Information

General Fund

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

|                                                   | <u>Budgeted Amounts</u>    |                         |                           | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---------------------------------------------------|----------------------------|-------------------------|---------------------------|---------------------------------------------------------|
|                                                   | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual<br/>Amounts</u> |                                                         |
| <b>Revenues</b>                                   |                            |                         |                           |                                                         |
| Property taxes                                    | \$ 19,930,166              | \$ 19,930,166           | \$ 19,944,101             | \$ 13,935                                               |
| Excise taxes                                      | 1,142,147                  | 1,142,147               | 1,415,717                 | 273,570                                                 |
| Penalties, interest, and other taxes              | 117,000                    | 117,000                 | 226,699                   | 109,699                                                 |
| Charges for services                              | 268,850                    | 268,850                 | 348,572                   | 79,722                                                  |
| Intergovernmental                                 | 9,906,462                  | 9,906,462               | 10,038,321                | 131,859                                                 |
| Licenses and permits                              | 205,923                    | 205,923                 | 415,587                   | 209,664                                                 |
| Fines and forfeitures                             | 17,300                     | 17,300                  | 30,609                    | 13,309                                                  |
| Investment income                                 | 17,000                     | 17,000                  | 12,358                    | (4,642)                                                 |
| Miscellaneous                                     | 20,000                     | 20,000                  | 246,839                   | 226,839                                                 |
| Total Revenues                                    | 31,624,848                 | 31,624,848              | 32,678,803                | 1,053,955                                               |
| <b>Expenditures</b>                               |                            |                         |                           |                                                         |
| General government                                | 3,828,232                  | 3,806,007               | 3,669,980                 | 136,027                                                 |
| Public safety                                     | 4,437,701                  | 4,459,601               | 4,339,771                 | 119,830                                                 |
| Education                                         | 17,970,521                 | 17,970,521              | 17,731,025                | 239,496                                                 |
| Public works                                      | 1,262,903                  | 1,262,903               | 1,229,841                 | 33,062                                                  |
| Health and human services                         | 300,407                    | 300,407                 | 244,326                   | 56,081                                                  |
| Culture and recreation                            | 470,018                    | 470,343                 | 448,290                   | 22,053                                                  |
| Employee benefits                                 | 4,443,118                  | 4,443,118               | 4,437,747                 | 5,371                                                   |
| Debt service                                      | 2,539,246                  | 2,539,246               | 2,537,616                 | 1,630                                                   |
| Intergovernmental                                 | 474,628                    | 474,628                 | 357,044                   | 117,584                                                 |
| Total Expenditures                                | 35,726,774                 | 35,726,774              | 34,995,640                | 731,134                                                 |
| Excess (deficiency) of Revenues over Expenditures | (4,101,926)                | (4,101,926)             | (2,316,837)               | 1,785,089                                               |
| <b>Other Financing Sources/Uses</b>               |                            |                         |                           |                                                         |
| Transfers in                                      | 464,555                    | 464,555                 | 464,555                   | -                                                       |
| Transfers out                                     | -                          | -                       | (39,949)                  | (39,949)                                                |
| Use of free cash:                                 |                            |                         |                           |                                                         |
| Operating budget                                  | 206,750                    | 206,750                 | 206,750                   | -                                                       |
| Capital budget                                    | 1,348,318                  | 1,348,318               | 1,348,318                 | -                                                       |
| OPEB trust fund contribution                      | 35,000                     | 35,000                  | 35,000                    | -                                                       |
| Use of restricted fund balance                    | 15,629                     | 15,629                  | 15,629                    | -                                                       |
| Use of prior year carryforwards                   | 2,031,674                  | 2,031,674               | 2,031,674                 | -                                                       |
| Total Other Financing Sources (Uses)              | 4,101,926                  | 4,101,926               | 4,061,977                 | (39,949)                                                |
| Overall Budgetary Excess                          | \$ <u>-</u>                | \$ <u>-</u>             | \$ <u>1,745,140</u>       | \$ <u>1,745,140</u>                                     |

See Independent Auditors' Report.

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

**Budgetary Basis**

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

**Budget/GAAP Reconciliation**

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

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

| <u>General Fund</u>                                            | <u>Revenues</u>      | <u>Expenditures</u>  | <u>Other<br/>Financing<br/>Sources (Uses)</u> |
|----------------------------------------------------------------|----------------------|----------------------|-----------------------------------------------|
| GAAP basis                                                     | \$ 34,780,878        | \$ 33,732,399        | \$ 104,630                                    |
| Remove effect of combining<br>stabilization and general fund   | 8,250                | -                    | -                                             |
| Add end-of-year appropriation<br>carryforwards to expenditures | -                    | 3,007,086            | -                                             |
| To record use of free cash                                     | -                    | -                    | 1,590,068                                     |
| To record use of prior year<br>carryforwards                   | -                    | -                    | 2,031,674                                     |
| To reverse the effect of non-<br>budgeted State contributions  | (2,057,075)          | (2,057,075)          | -                                             |
| Recognize use of fund balance<br>as funding source/use         | -                    | -                    | 15,629                                        |
| To reclassify debt service<br>expenditures                     | -                    | 319,976              | 319,976                                       |
| Other                                                          | <u>(53,250)</u>      | <u>(6,746)</u>       | <u>-</u>                                      |
| Budgetary Basis                                                | \$ <u>32,678,803</u> | \$ <u>34,995,640</u> | \$ <u>4,061,977</u>                           |

See Independent Auditors' Report.

**TOWN OF DOUGLAS, MASSACHUSETTS**

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

(Unaudited)

| Worcester Regional Retirement System |                         |                                                |                                                         |                        |                                                                                            |                                                                              |
|--------------------------------------|-------------------------|------------------------------------------------|---------------------------------------------------------|------------------------|--------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| <u>Fiscal Year</u>                   | <u>Measurement Date</u> | <u>Proportion of the Net Pension Liability</u> | <u>Proportionate Share of the Net Pension Liability</u> | <u>Covered Payroll</u> | <u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u> | <u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u> |
| June 30, 2022                        | December 31, 2021       | 1.727054%                                      | \$14,542,025                                            | \$ 6,354,975           | 228.83%                                                                                    | 56.20%                                                                       |
| June 30, 2021                        | December 31, 2020       | 1.772542%                                      | \$15,747,268                                            | \$ 6,204,246           | 253.81%                                                                                    | 50.30%                                                                       |
| June 30, 2020                        | December 31, 2019       | 1.787466%                                      | \$15,910,774                                            | \$ 6,208,415           | 256.28%                                                                                    | 47.40%                                                                       |
| June 30, 2019                        | December 31, 2018       | 1.792803%                                      | \$16,256,457                                            | \$ 5,241,322           | 310.16%                                                                                    | 43.05%                                                                       |
| June 30, 2018                        | December 31, 2017       | 1.807354%                                      | \$14,737,670                                            | \$ 5,726,211           | 257.37%                                                                                    | 46.40%                                                                       |
| June 30, 2017                        | December 31, 2016       | 1.665727%                                      | \$13,952,025                                            | \$ 6,111,451           | 228.29%                                                                                    | 42.00%                                                                       |
| June 30, 2016                        | December 31, 2015       | 1.673328%                                      | \$11,877,399                                            | \$ 5,729,138           | 207.32%                                                                                    | 44.52%                                                                       |
| June 30, 2015                        | December 31, 2014       | 1.717729%                                      | \$10,221,653                                            | \$ 5,508,787           | 185.55%                                                                                    | 47.94%                                                                       |

| Massachusetts Teachers' Retirement System |                         |                                                |                                                         |                                                                                                                       |                                                             |                        |                                                                                            |                                                                              |
|-------------------------------------------|-------------------------|------------------------------------------------|---------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|------------------------|--------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| <u>Fiscal Year</u>                        | <u>Measurement Date</u> | <u>Proportion of the Net Pension Liability</u> | <u>Proportionate Share of the Net Pension Liability</u> | <u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town</u> | <u>Total Net Pension Liability Associated with the Town</u> | <u>Covered Payroll</u> | <u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u> | <u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u> |
| June 30, 2022                             | June 30, 2021           | 0.117649%                                      | \$ -                                                    | \$ 26,714,438                                                                                                         | \$ 26,714,438                                               | \$9,124,842            | -                                                                                          | 62.03%                                                                       |
| June 30, 2021                             | June 30, 2020           | 0.121488%                                      | \$ -                                                    | \$ 34,678,487                                                                                                         | \$ 34,678,487                                               | \$9,204,863            | -                                                                                          | 50.67%                                                                       |
| June 30, 2020                             | June 30, 2019           | 0.119403%                                      | \$ -                                                    | \$ 30,106,220                                                                                                         | \$ 30,106,220                                               | \$8,689,133            | -                                                                                          | 53.95%                                                                       |
| June 30, 2019                             | June 30, 2018           | 0.119237%                                      | \$ -                                                    | \$ 28,272,534                                                                                                         | \$ 28,272,534                                               | \$8,373,855            | -                                                                                          | 54.84%                                                                       |
| June 30, 2018                             | June 30, 2017           | 0.117267%                                      | \$ -                                                    | \$ 26,836,952                                                                                                         | \$ 26,836,952                                               | \$7,962,978            | -                                                                                          | 54.25%                                                                       |
| June 30, 2017                             | June 30, 2016           | 0.135543%                                      | \$ -                                                    | \$ 30,304,669                                                                                                         | \$ 30,304,669                                               | \$8,915,551            | -                                                                                          | 52.73%                                                                       |
| June 30, 2016                             | June 30, 2015           | 0.133839%                                      | \$ -                                                    | \$ 27,423,140                                                                                                         | \$ 27,423,140                                               | \$8,772,387            | -                                                                                          | 55.38%                                                                       |
| June 30, 2015                             | June 30, 2014           | 0.142008%                                      | \$ -                                                    | \$ 22,574,170                                                                                                         | \$ 22,574,170                                               | \$8,707,212            | -                                                                                          | 61.64%                                                                       |

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

See Independent Auditor's Report.

**TOWN OF DOUGLAS, MASSACHUSETTS**

Required Supplementary Information  
Schedule of Pension Contributions

(Unaudited)

Worcester Regional Retirement System

| <u>Fiscal Year</u> | <u>Measurement Date</u> | <u>Actuarially Determined Contribution</u> | <u>Contributions in Relation to the Actuarially Determined Contribution</u> | <u>Contribution Deficiency (Excess)</u> | <u>Covered Payroll</u> | <u>Contributions as a Percentage of Covered Payroll</u> |
|--------------------|-------------------------|--------------------------------------------|-----------------------------------------------------------------------------|-----------------------------------------|------------------------|---------------------------------------------------------|
| June 30, 2022      | December 31, 2021       | \$ 1,277,098                               | \$ 1,277,098                                                                | \$ -                                    | \$ 6,354,975           | 20.10%                                                  |
| June 30, 2021      | December 31, 2020       | \$ 1,192,372                               | \$ 1,192,372                                                                | \$ -                                    | \$ 6,204,246           | 19.22%                                                  |
| June 30, 2020      | December 31, 2019       | \$ 1,088,352                               | \$ 1,088,352                                                                | \$ -                                    | \$ 6,208,415           | 17.53%                                                  |
| June 30, 2019      | December 31, 2018       | \$ 998,134                                 | \$ 998,134                                                                  | \$ -                                    | \$ 5,241,322           | 19.04%                                                  |
| June 30, 2018      | December 31, 2017       | \$ 914,509                                 | \$ 914,509                                                                  | \$ -                                    | \$ 5,726,211           | 15.97%                                                  |
| June 30, 2017      | December 31, 2016       | \$ 809,124                                 | \$ 809,124                                                                  | \$ -                                    | \$ 6,111,451           | 13.24%                                                  |
| June 30, 2016      | December 31, 2015       | \$ 752,764                                 | \$ 752,764                                                                  | \$ -                                    | \$ 5,729,138           | 13.14%                                                  |
| June 30, 2015      | December 31, 2014       | \$ 678,830                                 | \$ 678,830                                                                  | \$ -                                    | \$ 5,508,787           | 12.32%                                                  |

Massachusetts Teachers' Retirement System

| <u>Fiscal Year</u> | <u>Measurement Date</u> | <u>Actuarially Determined Contribution Provided by Commonwealth</u> | <u>Contributions in Relation to the Actuarially Determined Contribution</u> | <u>Contribution Deficiency (Excess)</u> | <u>Covered Payroll</u> | <u>Contributions as a Percentage of Covered Payroll</u> |
|--------------------|-------------------------|---------------------------------------------------------------------|-----------------------------------------------------------------------------|-----------------------------------------|------------------------|---------------------------------------------------------|
| June 30, 2022      | June 30, 2020           | \$ 2,057,075                                                        | \$ 2,057,075                                                                | \$ -                                    | \$ 9,124,842           | 22.54%                                                  |
| June 30, 2021      | June 30, 2020           | \$ 1,887,231                                                        | \$ 1,887,231                                                                | \$ -                                    | \$ 9,204,863           | 20.50%                                                  |
| June 30, 2020      | June 30, 2019           | \$ 1,723,829                                                        | \$ 1,723,829                                                                | \$ -                                    | \$ 8,689,133           | 19.84%                                                  |
| June 30, 2019      | June 30, 2018           | \$ 1,567,702                                                        | \$ 1,567,702                                                                | \$ -                                    | \$ 8,373,855           | 18.72%                                                  |
| June 30, 2018      | June 30, 2017           | \$ 1,448,848                                                        | \$ 1,448,848                                                                | \$ -                                    | \$ 7,962,978           | 18.19%                                                  |
| June 30, 2017      | June 30, 2016           | \$ 1,524,297                                                        | \$ 1,524,297                                                                | \$ -                                    | \$ 8,915,551           | 17.10%                                                  |
| June 30, 2016      | June 30, 2015           | \$ 1,367,741                                                        | \$ 1,367,741                                                                | \$ -                                    | \$ 8,772,387           | 15.59%                                                  |
| June 30, 2015      | June 30, 2014           | \$ 1,331,158                                                        | \$ 1,331,158                                                                | \$ -                                    | \$ 8,707,212           | 15.29%                                                  |

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

See Independent Auditor's Report.

**TOWN OF DOUGLAS, MASSACHUSETTS**

Required Supplementary Information  
Other Post-Employment Benefits (OPEB)  
Schedule of Changes in Net OPEB Liability

(Unaudited)

|                                                             | <u>2022</u>          | <u>2021</u>          | <u>2020</u>          | <u>2019</u>          | <u>2018</u>          | <u>2017</u>          |
|-------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Total OPEB Liability</b>                                 |                      |                      |                      |                      |                      |                      |
| Service cost                                                | \$ 1,305,652         | \$ 1,482,455         | \$ 1,530,377         | \$ 1,280,677         | \$ 1,244,458         | \$ 1,160,278         |
| Interest                                                    | 529,387              | 698,679              | 731,360              | 646,729              | 608,518              | 778,464              |
| Differences between expected and actual experience          | (247,507)            | (4,683,048)          | (2,513,378)          | 2,028,759            | (268,883)            | -                    |
| Changes of assumptions                                      | (8,354,984)          | 1,971,718            | 577,711              | 850,870              | 594,117              | -                    |
| Benefit payments, including refunds of member contributions | <u>(268,216)</u>     | <u>(262,766)</u>     | <u>(284,336)</u>     | <u>(307,200)</u>     | <u>(292,466)</u>     | <u>(269,884)</u>     |
| Net change in total OPEB liability                          | (7,035,668)          | (792,962)            | 41,734               | 4,499,835            | 1,885,744            | 1,668,858            |
| Total OPEB liability - beginning                            | <u>25,604,537</u>    | <u>26,397,499</u>    | <u>26,355,765</u>    | <u>21,855,930</u>    | <u>19,970,186</u>    | <u>18,301,328</u>    |
| Total OPEB liability - ending (a)                           | 18,568,869           | 25,604,537           | 26,397,499           | 26,355,765           | 21,855,930           | 19,970,186           |
| <b>Plan Fiduciary Net Position</b>                          |                      |                      |                      |                      |                      |                      |
| Contributions - employer                                    | 363,216              | 349,766              | 394,336              | 459,700              | 419,308              | 403,206              |
| Net investment income                                       | (182,516)            | 246,120              | 20,314               | 38,726               | 22,627               | 23,938               |
| Benefit payments, including refunds of member contributions | <u>(268,216)</u>     | <u>(262,766)</u>     | <u>(284,336)</u>     | <u>(307,200)</u>     | <u>(292,466)</u>     | <u>(269,884)</u>     |
| Net change in plan fiduciary net position                   | (87,516)             | 333,120              | 130,314              | 191,226              | 149,469              | 157,260              |
| Plan fiduciary net position - beginning                     | <u>1,186,616</u>     | <u>853,496</u>       | <u>723,182</u>       | <u>531,956</u>       | <u>382,487</u>       | <u>225,227</u>       |
| Plan fiduciary net position - ending (b)                    | <u>1,099,100</u>     | <u>1,186,616</u>     | <u>853,496</u>       | <u>723,182</u>       | <u>531,956</u>       | <u>382,487</u>       |
| Net OPEB liability - ending (a-b)                           | \$ <u>17,469,769</u> | \$ <u>24,417,921</u> | \$ <u>25,544,003</u> | \$ <u>25,632,583</u> | \$ <u>21,323,974</u> | \$ <u>19,587,699</u> |

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

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

See Independent Auditor's Report.

**TOWN OF DOUGLAS, MASSACHUSETTS**

Required Supplementary Information  
Other Post-Employment Benefits (OPEB)  
Schedules of Net OPEB Liability, Contributions, and Investment Returns  
  
(Unaudited)

|                                                                         | <u>2022</u>          | <u>2021</u>          | <u>2020</u>          | <u>2019</u>          | <u>2018</u>          | <u>2017</u>          |
|-------------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Schedule of Net OPEB Liability</b>                                   |                      |                      |                      |                      |                      |                      |
| Total OPEB liability                                                    | \$ 18,568,869        | \$ 25,604,537        | \$ 26,397,499        | \$ 26,355,765        | \$ 21,855,930        | \$ 19,970,186        |
| Plan fiduciary net position                                             | <u>1,099,100</u>     | <u>1,186,616</u>     | <u>853,496</u>       | <u>723,182</u>       | <u>531,956</u>       | <u>382,487</u>       |
| Net OPEB liability                                                      | <u>\$ 17,469,769</u> | <u>\$ 24,417,921</u> | <u>\$ 25,544,003</u> | <u>\$ 25,632,583</u> | <u>\$ 21,323,974</u> | <u>\$ 19,587,699</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 5.92%                | 4.63%                | 3.23%                | 2.74%                | 2.43%                | 1.92%                |
| Covered employee payroll                                                | \$ 17,116,353        | \$ 17,116,353        | \$ 16,973,469        | 16,507,832           | 15,440,632           | 15,440,632           |
| Net OPEB liability as a percentage of covered employee payroll          | 102%                 | 143%                 | 150%                 | 155%                 | 138%                 | 127%                 |
| <b>Schedule of Contributions</b>                                        |                      |                      |                      |                      |                      |                      |
| Actuarially determined contribution                                     | \$ 2,898,870         | \$ 3,201,476         | \$ 3,267,687         | \$ 2,711,333         | \$ 1,852,976         | \$ 1,938,742         |
| Contributions in relation to the actuarially determined contribution    | <u>363,216</u>       | <u>349,766</u>       | <u>394,336</u>       | <u>459,700</u>       | <u>419,308</u>       | <u>403,206</u>       |
| Contribution deficiency                                                 | <u>\$ 2,535,654</u>  | <u>\$ 2,851,710</u>  | <u>\$ 2,873,351</u>  | <u>\$ 2,251,633</u>  | <u>\$ 1,433,668</u>  | <u>\$ 1,535,536</u>  |
| Covered employee payroll                                                | \$ 17,699,308        | \$ 17,116,353        | \$ 16,973,469        | 16,507,832           | 15,440,632           | 15,440,632           |
| Contributions as a percentage of covered employee payroll               | 14%                  | 17%                  | 17%                  | 14%                  | 9%                   | 10%                  |
| <b>Schedule of Investment Returns</b>                                   |                      |                      |                      |                      |                      |                      |
| Annual money weighted rate of return, net of investment expense         | -14.80%              | 28.80%               | 2.80%                | 5.80%                | 5.08%                | 8.50%                |

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

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

See Independent Auditor's Report.



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

**INDEPENDENT AUDITORS' REPORT**

To the Board of Selectmen  
Town of Douglas, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Douglas, Massachusetts (the Town), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated February 17, 2023.

**Internal Control Over Financial Reporting**

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

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

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Andover, Massachusetts  
Greenfield, Massachusetts  
Ellsworth, Maine

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

### **Compliance and Other Matters**

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

### **Purpose of This Report**

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



Andover, Massachusetts  
February 17, 2023