

TOWN OF DOUGLAS, MASSACHUSETTS
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023



TOWN OF DOUGLAS, MASSACHUSETTS

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TOWN OF DOUGLAS, MASSACHUSETTS

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INDEPENDENT AUDITORS' 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, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis 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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the budgetary comparison for the General Fund, and certain pension and OPEB schedules be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part

of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with 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 January 19, 2024 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.

Marcum LLP

Andover, MA
January 19, 2024

TOWN OF DOUGLAS, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

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, 2023.

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. The Town's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

TOWN OF DOUGLAS, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

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 Town's near-term financing decisions. Reconciliations are provided to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds

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

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, and (3) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs such as depreciation and 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 Town. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to Financial Statements

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

Required Supplementary Information

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

TOWN OF DOUGLAS, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

Financial Highlights

- As of the close of the current fiscal year, net position in governmental activities was \$37,315,550, a change of \$2,706,443, and net position in business-type activities was \$11,814,588, a change of \$2,000,370.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$15,068,891, a change of \$1,547,614 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,959,285, a change of \$1,374,644 in comparison to the prior year.

Government-Wide Financial Analysis

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

Net Position (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets						
Current and other assets	\$ 20,724	\$ 18,717	\$ 2,064	\$ 3,246	\$ 22,788	\$ 21,963
Capital assets	<u>75,716</u>	<u>75,548</u>	<u>11,452</u>	<u>9,371</u>	<u>87,168</u>	<u>84,919</u>
Total Assets	96,440	94,265	13,516	12,617	109,956	106,882
Deferred Outflows of Resources	5,160	5,010	75	80	5,235	5,090
Liabilities						
Other liabilities	4,341	3,149	138	740	4,479	3,889
Long-term liabilities	<u>43,842</u>	<u>46,002</u>	<u>1,405</u>	<u>1,896</u>	<u>45,247</u>	<u>47,898</u>
Total Liabilities	48,183	49,151	1,543	2,636	49,726	51,787
Deferred Inflows of Resources	16,102	15,515	234	247	16,336	15,762
Net Position						
Net investment in capital assets	63,015	62,642	10,506	8,002	73,521	70,644
Restricted	5,577	4,535	--	--	5,577	4,535
Unrestricted	<u>(31,277)</u>	<u>(32,568)</u>	<u>1,308</u>	<u>1,812</u>	<u>(29,969)</u>	<u>(30,756)</u>
Total Net Position	<u>\$ 37,315</u>	<u>\$ 34,609</u>	<u>\$ 11,814</u>	<u>\$ 9,814</u>	<u>\$ 49,129</u>	<u>\$ 44,423</u>

As noted earlier, net position may serve over time as a useful indicator of the Town's financial position. At the close of the most recent fiscal year, total net position was \$49,130,138, a change of \$4,706,813 in comparison to the prior year.

The largest portion of net position \$73,521,673 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.

TOWN OF DOUGLAS, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

An additional portion of net position \$5,576,959 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 \$(29,963,494) primarily resulting from unfunded pension and OPEB liabilities.

Change in Net Position (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues:						
Charges for services	\$ 2,841	\$ 1,852	\$ 1,880	\$ 1,613	\$ 4,721	\$ 3,465
Operating grants and contributions	16,047	15,582	--	--	16,047	15,582
Capital grants and contributions	--	--	1,448	1,486	1,448	1,486
General revenues:						
Property taxes	20,439	20,081	--	--	20,439	20,081
Excise taxes	1,645	1,493	--	--	1,645	1,493
Penalties, interest, and other taxes	262	258	--	--	262	258
Grants and contributions						
not restricted to specific programs	1,187	1,204	--	--	1,187	1,204
Investment income	298	8	18	2	316	10
Miscellaneous	953	473	45	50	998	523
Total Revenues	43,672	40,951	3,391	3,151	47,063	44,102
Expenses						
General government	3,376	3,056	--	--	3,376	3,056
Public safety	5,441	4,511	--	--	5,441	4,511
Education	28,913	27,911	--	--	28,913	27,911
Public works	1,191	1,888	--	--	1,191	1,888
Health and human services	324	338	--	--	324	338
Culture and recreation	446	312	--	--	446	312
Interest on long-term debt	619	523	--	--	619	523
Intergovernmental	338	358	--	--	338	358
Water/sewer services	--	--	1,376	1,500	1,376	1,500
Transfer station services	--	--	333	322	333	322
Total Expenses	40,648	38,897	1,709	1,822	42,357	40,719
Change in Net Position before Transfers and Contributions	3,024	2,054	1,682	1,329	4,706	3,383
Transfers In (Out)	(318)	(320)	318	320	--	--
Change in Net Position	2,706	1,734	2,000	1,649	4,706	3,383
Net Position - Beginning of the Year	34,609	32,875	9,814	8,165	44,423	41,040
Net Position - End of Year	\$ 37,315	\$ 34,609	\$ 11,814	\$ 9,814	\$ 49,129	\$ 44,423

TOWN OF DOUGLAS, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$2,706,443. Key elements of this change are as follows:

General Fund operations	\$ 510,517
Sale of land	400,000
Change in net OPEB liability, net of related deferrals	978,852
Other	<u>817,074</u>
	<u><u>\$ 2,706,443</u></u>

Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$2,000,370. The annual General Fund transfer to the Water/Sewer Fund is to achieve balanced operating results. In addition, the Town received a \$1,294,485 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 the Town's net resources available for spending at the end of the fiscal year.

General Fund

The General Fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5,959,285, while total fund balance was \$9,462,567. The unassigned fund balance increased by \$1,374,644 primarily from favorable budgetary results of \$3,195,264 (page 64), less \$416,753 used to supplement the fiscal year 2023 budget, and \$1,305,386 used for the fiscal year 2024 operating and capital budgets. 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.

General Fund	June 30, 2023	June 30, 2022	Change	% of General Fund Expenditures*	
				Unassigned fund balance	Total fund balance
Unassigned fund balance	\$ 5,959,285	\$ 4,584,641	\$ 1,374,644		17.3%
Total fund balance	\$ 9,462,567	\$ 8,952,050	\$ 510,517		27.5%

*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 \$2,402,847.

TOWN OF DOUGLAS, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

The total fund balance of the General Fund changed by \$510,517 during the current fiscal year. Key factors in this change are as follows:

Use of free cash	\$ (2,139,149)
Excess of state and local revenues over budget	2,437,578
Budgetary appropriation surplus	785,993
Change in stabilization balance	29,510
Change in appropriation carryforwards	(383,992)
Other	<u>(219,423)</u>
	\$ <u>510,517</u>

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

	June 30, 2023	June 30, 2022	Change
General stabilization	\$ 1,591,053	\$ 1,561,543	\$ 29,510

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 changed by \$282,667 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 \$1,308,123, a change of \$503,824 in comparison to the prior year. Annually the General Fund transfers approximately \$310,000 to the Water/Sewer Fund to balance the budget.

TOWN OF DOUGLAS, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

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

General Fund Budgetary Highlights

Differences between the original budget and final amended budget resulted in an overall change in appropriations of \$3,566,401. This change consists primarily of the use of prior year carryforwards and free cash appropriated for the capital budget.

Capital Assets and Debt Administration

Capital Assets

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$87,167,860 (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:

- \$2,345,879 Water/sewer infrastructure improvements (funded by the MassWorks, Site Readiness, and EDA Grants)
- \$957,028 Various paving improvements (funded by a state grant, chapter 90, and free cash)
- \$1,770,918 Various police and fire equipment and vehicles

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 \$13,646,187 (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, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and short-term investments	\$ 15,964,858	\$ 1,541,695	\$ 17,506,553
Investments	3,284,662	--	3,284,662
Receivables, net of allowance:			
Property taxes	379,927	--	379,927
Excise taxes	190,450	--	190,450
User fees	170,066	502,517	672,583
Departmental and other	75,810	17,381	93,191
Intergovernmental	30,155	--	30,155
Other current assets	<u>160,523</u>	<u>2,491</u>	<u>163,014</u>
Total Current Assets	<u>20,256,451</u>	<u>2,064,084</u>	<u>22,320,535</u>
Noncurrent Assets			
Receivables:			
Property taxes	467,925	--	467,925
Capital assets:			
Nondepreciable capital assets	6,575,636	4,737,207	11,312,843
Other capital assets, net of accumulated depreciation	<u>69,140,149</u>	<u>6,714,868</u>	<u>75,855,017</u>
Total Noncurrent Assets	<u>76,183,710</u>	<u>11,452,075</u>	<u>87,635,785</u>
Total Assets	<u>96,440,161</u>	<u>13,516,159</u>	<u>109,956,320</u>
Deferred Outflows of Resources			
Related to pension	2,096,650	30,417	2,127,067
Related to OPEB	<u>3,063,597</u>	<u>44,386</u>	<u>3,107,983</u>
Total Deferred Outflows of Resources	<u>5,160,247</u>	<u>74,803</u>	<u>5,235,050</u>

TOWN OF DOUGLAS, MASSACHUSETTS

STATEMENT OF NET POSITION (CONTINUED)

JUNE 30, 2023

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current Liabilities			
Warrants and accounts payable	740,783	137,698	878,481
Accrued liabilities	1,152,100	--	1,152,100
Unearned revenues	2,334,564	--	2,334,564
Other current liabilities	113,712	--	113,712
Current portion of long-term liabilities:			
Bonds and loans payable	1,330,134	440,470	1,770,604
Landfill liability	20,000	--	20,000
Total Current Liabilities	<u>5,691,293</u>	<u>578,168</u>	<u>6,269,461</u>
Noncurrent Liabilities			
Bonds and loans payable, net of current portion	11,370,443	505,140	11,875,583
Landfill liability, net of current portion	340,000	--	340,000
Net pension liability	17,402,787	252,470	17,655,257
Net OPEB liability	13,232,827	191,719	13,424,546
Compensated absences	145,487	15,570	161,057
Total Noncurrent Liabilities	<u>42,491,544</u>	<u>964,899</u>	<u>43,456,443</u>
Total Liabilities	<u>48,182,837</u>	<u>1,543,067</u>	<u>49,725,904</u>
Deferred Inflows of Resources			
Related to pension	958,623	13,907	972,530
Related to OPEB	15,143,398	219,400	15,362,798
Total Deferred Inflows of Resources	<u>16,102,021</u>	<u>233,307</u>	<u>16,335,328</u>
Net Position			
Net investment in capital assets	63,015,208	10,506,465	73,521,673
Restricted for:			
Grants and other statutory restrictions	5,457,031	--	5,457,031
Endowment funds:			
Nonexpendable	42,502	--	42,502
Expendable	77,426	--	77,426
Unrestricted	(31,276,617)	1,308,123	(29,968,494)
Total Net Position	<u>\$ 37,315,550</u>	<u>\$ 11,814,588</u>	<u>\$ 49,130,138</u>

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

TOWN OF DOUGLAS, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2023

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General government	\$ 3,376,254	\$ 239,884	\$ 407,886	\$ --	\$ (2,728,484)	\$ --	\$ (2,728,484)
Public safety	5,440,945	2,260,300	559,217	--	(2,621,428)	--	(2,621,428)
Education	28,912,995	287,754	14,471,038	--	(14,154,203)	--	(14,154,203)
Public works	1,191,481	37,600	491,426	--	(662,455)	--	(662,455)
Health and human services	324,352	15,775	55,832	--	(252,745)	--	(252,745)
Culture and recreation	446,340	299	61,913	--	(384,128)	--	(384,128)
Interest on long-term debt	618,147	--	--	--	(618,147)	--	(618,147)
Intergovernmental	337,707	--	--	--	(337,707)	--	(337,707)
Total Governmental Activities	40,648,221	2,841,612	16,047,312	--	(21,759,297)	--	(21,759,297)
Business-Type Activities							
Water/sewer services	1,375,880	1,505,895	--	1,447,589	--	1,577,604	1,577,604
Transfer station services	333,423	374,545	--	--	--	41,122	41,122
Total Business-Type Activities	1,709,303	1,880,440	--	1,447,589	--	1,618,726	1,618,726
	\$ 42,357,524	\$ 4,722,052	\$ 16,047,312	\$ 1,447,589	(21,759,297)	1,618,726	(20,140,571)
General Revenues and Transfers							
Property taxes				20,439,094	--	20,439,094	
Excise taxes				1,644,723	--	1,644,723	
Penalties, interest, and other taxes				262,227	--	262,227	
Grants and contributions not restricted to specific programs				1,186,922	--	1,186,922	
Investment income				297,803	18,399	316,202	
Miscellaneous				953,122	45,094	998,216	
Transfers, net				(318,151)	318,151	--	
Total General Revenues and Transfers				24,465,740	381,644	24,847,384	
Change in Net Position				2,706,443	2,000,370	4,706,813	
Net Position							
Beginning of Year				34,609,107	9,814,218	44,423,325	
End of Year				\$ 37,315,550	\$ 11,814,588	\$ 49,130,138	

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

TOWN OF DOUGLAS, MASSACHUSETTS

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2023

	General Fund	Receipts Reserved Fund	School Choice Fund	Town Federal Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and short-term investments	\$ 8,087,502	\$ 1,793,275	\$ 2,065,179	\$ 2,492,524	\$ 1,526,378	\$ 15,964,858
Investments	3,165,286	--	--	--	119,376	3,284,662
Receivables, net of allowance:						
Property taxes	847,852	--	--	--	--	847,852
Excise taxes	190,450	--	--	--	--	190,450
User fees	--	170,066	--	--	--	170,066
Departmental and other	--	--	--	--	75,810	75,810
Intergovernmental	22,250	--	--	5,699	2,206	30,155
Other assets	6,456	--	154,067	--	--	160,523
Total Assets	\$12,319,796	\$1,963,341	\$2,219,246	\$2,498,223	\$ 1,723,770	\$ 20,724,376
Liabilities						
Accounts payable	\$ 530,871	\$ --	\$ --	\$ 2,043	\$ 207,869	\$ 740,783
Accrued liabilities	1,152,100	--	--	--	--	1,152,100
Unearned revenues	--	--	--	2,334,564	--	2,334,564
Other liabilities	113,712	--	--	--	--	113,712
Total Liabilities	1,796,683	--	--	2,336,607	207,869	4,341,159
Deferred Inflows of Resources						
Unavailable revenues	1,060,546	170,065	--	5,699	78,016	1,314,326
Fund Balances						
Nonspendable	--	--	154,067	--	37,502	191,569
Restricted	125,031	1,793,276	2,065,179	155,917	1,566,903	5,706,306
Committed	3,198,504	--	--	--	--	3,198,504
Assigned	179,747	--	--	--	--	179,747
Unassigned	5,959,285	--	--	--	(166,520)	5,792,765
Total Fund Balances	9,462,567	1,793,276	\$2,219,246	155,917	1,437,885	15,068,891
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$12,319,796	\$1,963,341	\$2,219,246	\$2,498,223	\$ 1,723,770	\$ 20,724,376

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, 2023

<i>Total Governmental Fund Balances</i>	\$ 15,068,891
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	75,715,785
Deferred outflows of resources related to pensions to be recognized in pension expense in future periods.	2,096,650
Deferred outflows of resources related to OPEB to be recognized in OPEB expense in future periods.	3,063,597
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,314,326
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:	
Bonds payable	(12,700,577)
Net pension liability	(17,402,787)
Net OPEB liability	(13,232,827)
Compensated absences/liabilities	(145,487)
Landfill liability	(360,000)
Deferred inflows of resources related to pensions to be recognized in pension expense in future periods.	(958,623)
Deferred inflows of resources related to OPEB to be recognized in OPEB expense in future periods.	<u>(15,143,398)</u>
<i>Net Position of Governmental Activities</i>	<u>\$ 37,315,550</u>

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

TOWN OF DOUGLAS, MASSACHUSETTS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Receipts Reserved Fund	School Choice Fund	Town Federal Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Property taxes	\$ 20,382,948	\$ --	\$ --	\$ --	\$ --	\$ 20,382,948
Excise taxes	1,679,781	2,055	--	--	--	1,681,836
Penalties, interest, and other taxes	244,988	480	--	--	--	245,468
Charges for services	196,158	383,057	--	--	789,940	1,369,155
Intergovernmental	12,473,874	147,895	568,212	633,249	4,036,116	17,859,346
Licenses and permits	1,515,074	--	--	--	--	1,515,074
Fines and forfeitures	16,549	--	--	--	210	16,759
Investment income	290,792	--	--	--	7,011	297,803
Contributions	--	--	--	--	55,239	55,239
Miscellaneous	377,536	74,918	--	--	100,674	553,128
Total Revenues	37,177,700	608,405	568,212	633,249	4,989,190	43,976,756
Expenditures						
Current:						
General government	2,530,687	--	--	291,856	215,018	3,037,561
Public safety	4,997,550	--	--	296,559	572,288	5,866,397
Education	20,610,703	--	354,248	--	3,284,879	24,249,830
Public works	1,524,170	--	--	--	590,874	2,115,044
Health and human services	255,916	--	--	--	16,406	272,322
Culture and recreation	351,619	--	--	--	17,031	368,650
Employee benefits	4,532,699	--	--	--	--	4,532,699
Debt service:						
Principal	1,170,000	--	--	--	--	1,170,000
Interest	560,781	--	--	--	--	560,781
Intergovernmental	337,707	--	--	--	--	337,707
Total Expenditures	36,871,832	--	354,248	588,415	4,696,496	42,510,991
Excess (Deficiency) of Revenues Over Expenditures	305,868	608,405	213,964	44,834	292,694	1,465,765
Other Financing Sources (Uses)						
Proceeds from sale of land	-	400,000	--	--	--	400,000
Transfers in	551,107	24,369	--	3,938	--	579,414
Transfers out	(346,458)	(541,080)	--	--	(10,027)	(897,565)
Total Other Financing Sources (Uses)	204,649	(116,711)	--	3,938	(10,027)	81,849
Change in Fund Balance	510,517	491,694	213,964	48,772	282,667	1,547,614
Fund Balance, at Beginning of Year	8,952,050	1,301,582	2,005,282	107,145	1,155,218	13,521,277
Fund Balance, at End of Year	\$ 9,462,567	\$ 1,793,276	\$ 2,219,246	\$ 155,917	\$ 1,437,885	\$ 15,068,891

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, 2023

<i>Net Changes in Fund Balances - Total Governmental Funds</i>	\$ 1,547,614
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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:

Capital outlay	3,243,564
Net effect from disposal of assets	(162,500)
Depreciation	(2,913,361)

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:

Repayments of general obligation bonds	1,170,000
Amortization of bond premiums	105,134

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.

(732,418)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Increase in pension expense	(550,442)
Decrease in OPEB expense	978,852
Change in landfill liability	<u>20,000</u>

<i>Change in Net Position of Governmental Activities</i>	<u>\$ 2,706,443</u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF DOUGLAS, MASSACHUSETTS

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

JUNE 30, 2023

	Business-Type Activities Enterprise Funds					
	Major Water/Sewer Fund	Nonmajor Transfer Station Fund	Total			
Assets						
Current Assets						
Cash and short-term investments	\$ 1,311,698	\$ 229,997	\$ 1,541,695			
Other assets	2,491	--	2,491			
User fees receivable	502,517	--	502,517			
Special assessments receivable	17,381	--	17,381			
Total Current Assets	<u>1,834,087</u>	<u>229,997</u>	<u>2,064,084</u>			
Noncurrent Assets						
Capital assets:						
Nondepreciable capital assets	4,725,469	11,738	4,737,207			
Other capital assets, net of accumulated depreciation	6,704,208	10,660	6,714,868			
Total Noncurrent Assets	<u>11,429,677</u>	<u>22,398</u>	<u>11,452,075</u>			
Total Assets	<u>13,263,764</u>	<u>252,395</u>	<u>13,516,159</u>			
Deferred Outflows of Resources						
Related to pension	30,417	--	30,417			
Related to OPEB	44,386	--	44,386			
Total Deferred Outflows of Resources	<u>74,803</u>	<u>--</u>	<u>74,803</u>			
Liabilities						
Current Liabilities						
Accounts payable	113,872	23,826	137,698			
Current portion of long-term liabilities:						
Bonds and loans payable	440,470	--	440,470			
Total Current Liabilities	<u>554,342</u>	<u>23,826</u>	<u>578,168</u>			
Noncurrent Liabilities						
Bonds and loans payable, net of current portion	505,140	--	505,140			
Net pension liability	252,470	--	252,470			
Net OPEB liability	191,719	--	191,719			
Compensated absences liability	15,570	--	15,570			
Total Noncurrent Liabilities	<u>964,899</u>	<u>--</u>	<u>964,899</u>			
Total Liabilities	<u>1,519,241</u>	<u>23,826</u>	<u>1,543,067</u>			
Deferred Inflows of Resources						
Related to pension	13,907	--	13,907			
Related to OPEB	219,400	--	219,400			
Total Deferred Inflows of Resources	<u>233,307</u>	<u>--</u>	<u>233,307</u>			
Net Position						
Net investment in capital assets	10,484,067	22,398	10,506,465			
Unrestricted	1,101,952	206,171	1,308,123			
Total Net Position	<u>\$ 11,586,019</u>	<u>\$ 228,569</u>	<u>\$ 11,814,588</u>			

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

TOWN OF DOUGLAS, MASSACHUSETTS

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –
PROPRIETARY FUNDS**

FOR THE YEAR ENDED JUNE 30, 2023

	Business-Type Activities Enterprise Funds		
	Major Water/Sewer Fund	Nonmajor Transfer Station Fund	Total
	Charges for services	374,545	1,880,440
Operating Revenues			
Charges for services	\$ 1,505,895	\$ 374,545	\$ 1,880,440
Total Operating Revenues	<u>1,505,895</u>	<u>374,545</u>	<u>1,880,440</u>
Operating Expenses			
Salaries and benefits	311,462	73,758	385,220
Other operating expenses	668,037	258,338	926,375
Depreciation	<u>354,322</u>	<u>1,327</u>	<u>355,649</u>
Total Operating Expenses	<u>1,333,821</u>	<u>333,423</u>	<u>1,667,244</u>
Operating Income	<u>172,074</u>	<u>41,122</u>	<u>213,196</u>
Nonoperating Revenues (Expenses)			
Investment income	17,169	1,230	18,399
Interest expense	(42,059)	--	(42,059)
Other income	<u>45,094</u>	<u>--</u>	<u>45,094</u>
Total Nonoperating Revenues, Net	<u>20,204</u>	<u>1,230</u>	<u>21,434</u>
Income Before Transfers and Capital Contribution	192,278	42,352	234,630
Capital Contributions	1,447,589	--	1,447,589
Transfers In	<u>318,151</u>	<u>--</u>	<u>318,151</u>
Change in Net Position	1,958,018	42,352	2,000,370
Net Position, at Beginning of Year	<u>9,628,001</u>	<u>186,217</u>	<u>9,814,218</u>
Net Position, at End of Year	<u>\$ 11,586,019</u>	<u>\$ 228,569</u>	<u>\$ 11,814,588</u>

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

TOWN OF DOUGLAS, MASSACHUSETTS

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2023

	Business-Type Activities Enterprise Funds		
	Major Water/Sewer Fund	Nonmajor Transfer Station Fund	Total
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 1,539,612	\$ 374,545	\$ 1,914,157
Payments to employees	(387,475)	(73,758)	(461,233)
Payments to vendors	<u>(635,849)</u>	<u>(260,477)</u>	<u>(896,326)</u>
Net Cash Provided By Operating Activities	516,288	40,310	556,598
Cash Flows From Noncapital Financing Activities			
Transfers in	318,151	--	318,151
Net Cash Provided by Noncapital Financing Activities	318,151	--	318,151
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets	(3,068,582)	--	(3,068,582)
Principal payments on bonds and loans	(422,953)	--	(422,953)
Interest expense	(42,059)	--	(42,059)
Capital contributions	2,934,822	--	2,934,822
Other nonoperating income	<u>45,094</u>	<u>--</u>	<u>45,094</u>
Net Cash (Used For) Capital and Related Financing Activities	(553,678)	--	(553,678)
Cash Flows From Investing Activities			
Investment income	17,169	1,230	18,399
Net Cash Provided By Investing Activities	17,169	1,230	18,399
Net Change in Cash and Short-Term Investments	297,930	41,540	339,470
Cash and Short-Term Investments, Beginning of Year	1,013,768	188,457	1,202,225
Cash and Short-Term Investments, End of Year	\$ 1,311,698	\$ 229,997	\$ 1,541,695
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ 172,074	\$ 41,122	\$ 213,196
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	354,322	1,327	355,649
Changes in assets, liabilities, and deferred outflows/inflows:			
User fees receivable	31,509	--	31,509
Other assets	2,207	--	2,207
Deferred outflows - related to pension and OPEB	5,565	--	5,565
Accounts payable	32,188	(2,139)	30,049
Net pension and OPEB liabilities	(67,674)	--	(67,674)
Deferred inflows - related to pension and OPEB	<u>(13,903)</u>	<u>--</u>	<u>(13,903)</u>
Net Cash Provided By Operating Activities	\$ 516,288	\$ 40,310	\$ 556,598

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

TOWN OF DOUGLAS, MASSACHUSETTS

STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS

JUNE 30, 2023

	OPEB Trust Fund	Private Purpose Trust Funds	Custodial Funds
Assets			
Cash and short-term investments	\$ 60,136	\$ --	\$ 625,477
Investments:			
Certificates of deposit	--	1,127	--
Corporate bonds	--	26,594	--
Corporate equities	109,441	10,587	--
Equity mutual funds	778,974	--	--
Exchange traded securities	--	639	--
Federal agency securities	--	18,683	--
Fixed income mutual funds	291,219	--	--
U.S. Treasury notes	--	45,059	--
Total Investments	<u>1,179,634</u>	<u>102,689</u>	<u>--</u>
Total Assets	1,239,770	102,689	625,477
Liabilities			
Warrants and accounts payable	--	--	912
Total Liabilities	--	--	912
Net Position			
Restricted for OPEB purposes	1,239,770	--	--
Restricted for other purposes	--	102,689	624,565
Total Net Position	<u>\$ 1,239,770</u>	<u>\$ 102,689</u>	<u>\$ 624,565</u>

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

TOWN OF DOUGLAS, MASSACHUSETTS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2023

	OPEB Trust Fund	Private Purpose Trust Funds	Custodial Funds
Additions			
Contributions			
Employer	\$ 663,675	\$ --	\$ --
Total Contributions	663,675	--	--
Investment Income			
Interest	34,153	2,201	1,991
Increase (Decrease) in fair value of investments	46,498	(288)	--
Net Investment Income	80,651	1,913	1,991
Taxes collected for other governments	--	--	63,950
Fees collected for students	--	--	128,502
Miscellaneous	--	14	296,417
Total Additions	744,326	1,927	490,860
Deductions			
Benefit payments to plan members, and beneficiaries	603,675	--	--
Payment of taxes to other governments	--	--	63,950
Payments on behalf of students	--	--	133,291
Other	--	1,200	134,122
Total Deductions	603,675	1,200	331,363
Change in Net Position	140,651	727	159,497
Net Position Restricted for OPEB and Other Purposes			
Beginning of Year	1,099,119	101,962	465,068
End of Year	<u>\$ 1,239,770</u>	<u>\$ 102,689</u>	<u>\$ 624,565</u>

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

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 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 Town and applicable component units for which the Town is considered to be financially accountable. In fiscal year 2023, it was determined that no entities met the component unit requirements of GASB 14 (as amended) criteria (fiscal dependency, financial benefit or burden).

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.

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures such as debt service, claims and judgments, compensated absences, OPEB, and pension are recorded only when payment is due.

The Town reports the following major governmental funds:

- The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Receipts Reserved Fund* accounts primarily for the operations pertaining to ambulance and cable services. In addition, this fund accounts for proceeds from the sale of land.

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENTS PRESENTATION (CONTINUED)

- 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 an 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 fund:

- The *Water/Sewer Fund* reports the operations and maintenance of the Town's water/sewer lines, pump stations and plant.

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 insurance benefits for retired employees.
- The *Private-purpose Trust Funds* are used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefit individuals and private organizations.

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENTS PRESENTATION (CONTINUED)

- The *Custodial Funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others and are not required to be reported elsewhere on the financial statements. Custodial funds include taxes and fees collected on behalf of the Whitin 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 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 and short-term investments.

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

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.

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY TAX LIMITATIONS

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

CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$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 Police 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 and proprietary, 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.

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- Nonspendable represents amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. This fund balance classification includes nonmajor governmental fund reserves for the principal portion of permanent trust funds and prepaid expenditures.
- 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 by 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.

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND EQUITY (CONTINUED)

Fund Balance (Continued)

- Unassigned represents amounts that are available to be spent in future periods, general stabilization, 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.

NOTE 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 the time of the annual meeting when appropriations are voted.

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

BUDGETARY INFORMATION (CONTINUED)

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, 2023. It is anticipated that the deficits on these grant funds will be eliminated through future grant revenues.

NOTE 3 - DEPOSITS AND INVESTMENTS *TOWN (EXCLUDING OPEB TRUST FUND)*

DEPOSITS

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

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS *Town (EXCLUDING OPEB TRUST FUND) (CONTINUED)*

DEPOSITS (CONTINUED)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. Massachusetts General Laws 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. The intent of this policy 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.

As of June 30, 2023, none of the Town's bank balances of \$23,660,273 was exposed to custodial credit risk as uninsured and/or uncollateralized.

INVESTMENTS

The following is a summary of the Town's investments as of June 30, 2023:

Investment Type	Amount
Corporate bonds	\$ 878,276
Corporate equities	349,627
Exchange traded funds	21,119
Federal agency securities	617,025
Market-linked certificates of deposit	33,237
U.S. Treasury notes	<u>1,488,067</u>
	\$ <u>3,387,351</u>

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS *Town (EXCLUDING OPEB TRUST FUND) (CONTINUED)*

INVESTMENTS (CONTINUED)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Town will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town's custodial credit risk policy is to review the financial institution's financial statements. The intent of this policy 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, 2023, 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 Laws, 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, 2023, the credit quality ratings, as rated by Moody's Global Ratings of the Town's debt securities were as follows (U.S. Treasury notes have an implied rating of AAA):

Investment Type	Amount	Aaa	A3-A1	Baa1-Baa2
Corporate bonds	\$ 878,276	\$ 74,308	\$ 479,936	\$ 324,032
Federal agency securities	<u>617,025</u>	<u>617,025</u>	--	--
	<u>\$ 1,495,301</u>	<u>\$ 691,333</u>	<u>\$ 479,936</u>	<u>\$ 324,032</u>

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS *Town (EXCLUDING OPEB TRUST FUND) (CONTINUED)*

INVESTMENTS (CONTINUED)

Concentration of Credit Risk - Investments

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, 2023, the Town did 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 was as follows at June 30, 2023:

Investment Type	Amount	Less Than 1	1-5	6-10	N/A
Corporate bonds	\$ 878,276	\$ 237,252	\$ 463,676	\$ 177,348	\$ --
Corporate equities	349,627	--	--	--	349,627
Exchange traded funds	21,119	--	--	--	21,119
Federal agency securities	617,025	554,782	62,243	--	--
Market-linked certificates of deposit	33,237	--	33,237	--	--
U.S. Treasury notes	<u>1,488,067</u>	<u>1,030,546</u>	<u>457,521</u>	<u>--</u>	<u>--</u>
	<u>\$ 3,387,351</u>	<u>\$ 1,822,580</u>	<u>\$ 1,016,677</u>	<u>\$ 177,348</u>	<u>\$ 370,746</u>

Foreign Currency Risk

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

At June 30, 2023 none of the Town's investments were exposed to foreign currency risk.

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS *Town (EXCLUDING OPEB TRUST FUND) (CONTINUED)*

INVESTMENTS (CONTINUED)

Fair Value

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

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

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

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

The Town had the following fair value measurements as of June 30, 2023:

Investment Type	Amount	Fair Value Measurements Using:		
		Quoted prices		
		in active markets for identical assets	Significant observable inputs	Significant unobservable inputs
Corporate bonds	\$ 878,276	\$ --	\$ 878,276	\$ --
Corporate equities	349,627	349,627	--	--
Exchange traded funds	21,119	21,119	--	--
Federal agency securities	617,025	--	617,025	--
Market-linked certificates of deposit	33,237	--	33,237	--
U.S. Treasury notes	1,488,067	1,488,067	--	--
	<u>\$ 3,387,351</u>	<u>\$ 1,858,813</u>	<u>\$ 1,528,538</u>	<u>\$ --</u>

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS *Town (EXCLUDING OPEB TRUST FUND) (CONTINUED)*

INVESTMENTS (CONTINUED)

Fair Value (Continued)

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 security's relationship to benchmark quote prices. Level 2 debt securities have non-proprietary information that is readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

NOTE 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, 2023:

Investment Type	Amount
Corporate equities	\$ 109,441
Equity mutual funds	778,974
Fixed income mutual funds	<u>291,219</u>
	<u><u>\$ 1,179,634</u></u>

CUSTODIAL CREDIT RISK

As of June 30, 2023, 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, 2023, the OPEB Trust fund did not have investments in any one issuer that exceeded 5% of total investments.

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 4 - INVESTMENTS – OPEB TRUST FUND (CONTINUED)

FAIR VALUE

The OPEB Trust Fund had the following fair value measurements as of June 30, 2023:

Investment Type	Amount	Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets	Significant observable inputs	Significant unobservable inputs
		(Level 1)	(Level 2)	(Level 3)
Corporate equities	\$ 109,441	\$ 109,441	\$ --	\$ --
Equity mutual funds	778,974	--	778,974	--
Fixed income mutual funds	291,219	--	291,219	--
	<u>\$ 1,179,634</u>	<u>\$ 109,441</u>	<u>\$ 1,070,193</u>	<u>\$ --</u>

NOTE 5 - PROPERTY TAXES AND EXCISES RECEIVABLE

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

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

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

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 5 - PROPERTY TAXES AND EXCISES RECEIVABLE (CONTINUED)

A statewide property tax limitation known as “Proposition 2 ½” limits the amount of increase in the property tax levy in any fiscal year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2 ½% of the total assessed value of all taxable property within the Town. Secondly, the tax levy cannot increase by more than 2 ½% of the prior year’s levy plus the taxes on property newly added to the tax rolls. The actual fiscal year 2023 tax levy reflected an excess capacity of \$8,607.

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

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, 2023 consisted of the following:

	Gross Amount	Current Portion	Long- Term Portion
Real estate taxes	\$ 296,167	\$ 296,167	\$ --
Personal property taxes	31,768	31,768	--
Tax liens	<u>519,917</u>	<u>51,992</u>	<u>467,925</u>
Total property taxes	<u>\$ 847,852</u>	<u>\$ 379,927</u>	<u>\$ 467,925</u>
Motor vehicle excise	\$ 182,873	\$ 182,873	
Boat excise	<u>7,577</u>	<u>7,577</u>	
Total excises	<u>\$ 190,450</u>	<u>\$ 190,450</u>	

TAXES COLLECTED FOR OTHERS

The Town collects taxes for the Whitin 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.

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 6 – USER FEES RECEIVABLE

Receivables for user charges at June 30, 2023 consisted of the following:

	Gross Amount	Allowance for Doubtful Accounts	Net Amount
Water	\$ 248,703	\$ --	\$ 248,703
Sewer	253,814	--	253,814
Ambulance	<u>889,479</u>	<u>(719,413)</u>	<u>170,066</u>
	<u><u>\$ 1,391,996</u></u>	<u><u>\$ (719,413)</u></u>	<u><u>\$ 672,583</u></u>

NOTE 7 - INTERGOVERNMENTAL RECEIVABLES

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal year 2023.

NOTE 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 a summary of major interfund transfers for fiscal year 2023.

	Governmental Funds	Transfers In	Transfers Out
General Fund		\$ 551,107	\$ 346,458
Receipts Reserved Major Fund		24,369	541,080
Town Federal Grants Major Fund		3,938	--
Nonmajor Governmental Funds:			
Special Revenue Funds		--	10,027
Subtotal Nonmajor Governmental Funds		--	10,027
Business-Type Funds:			
Water/Sewer Fund		318,151	--
		<u>\$ 897,565</u>	<u>\$ 897,565</u>

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 8 – TRANSFERS (CONTINUED)

\$318,151 was transferred out of the General Fund for the Town's annual transfer to pay a portion of the water/sewer enterprise debt service expenses. The majority of the \$551,107 transferred into the General Fund consists of a \$437,950 transfer from the ambulance receipts reserved 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.

NOTE 9 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2023 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 82,120	\$ 67	\$ --	\$ 82,187
Machinery, equipment, and furnishings	10,382	2,220	(157)	12,445
Infrastructure	<u>12,631</u>	<u>1,553</u>	<u>--</u>	<u>14,184</u>
Total capital assets, being depreciated	105,133	3,840	(157)	108,816
Less accumulated depreciation for:				
Buildings and improvements	(24,140)	(2,044)	--	(26,184)
Machinery, equipment, and furnishings	(8,394)	(421)	157	(8,658)
Infrastructure	<u>(4,386)</u>	<u>(448)</u>	<u>--</u>	<u>(4,834)</u>
Total accumulated depreciation	(36,920)	(2,913)	157	(39,676)
Capital assets, being depreciated, net	68,213	927	--	69,140
Capital assets, not being depreciated:				
Land	6,738	--	(162)	6,576
Construction in progress	<u>597</u>	<u>--</u>	<u>(597)</u>	<u>--</u>
Total capital assets, not being depreciated	7,335	--	(759)	6,576
Governmental activities capital assets, net	\$ 75,548	\$ 927	\$ (759)	\$ 75,716

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 9 - CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 8,121	\$ --	\$ --	\$ 8,121
Machinery, equipment, and furnishings	666	91	--	757
Infrastructure	<u>5,588</u>	<u>--</u>	<u>--</u>	<u>5,588</u>
Total capital assets, being depreciated	14,375	91	--	14,466
Less accumulated depreciation for:				
Buildings and improvements	(3,222)	(191)	--	(3,413)
Machinery, equipment, and furnishings	(336)	(38)	--	(374)
Infrastructure	<u>(3,837)</u>	<u>(127)</u>	<u>--</u>	<u>(3,964)</u>
Total accumulated depreciation	<u>(7,395)</u>	<u>(356)</u>	<u>--</u>	<u>(7,751)</u>
Capital assets, being depreciated, net	6,980	(265)	--	6,715
Capital assets, not being depreciated:				
Land	801	--	--	801
Construction in progress	<u>1,590</u>	<u>2,346</u>	<u>--</u>	<u>3,936</u>
Total capital assets, not being depreciated	<u>2,391</u>	<u>2,346</u>	<u>--</u>	<u>4,737</u>
Business-type activities capital assets, net	<u><u>\$ 9,371</u></u>	<u><u>\$ 2,081</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 11,452</u></u>

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

Governmental Activities

General government	\$ 221
Public safety	211
Education	1,941
Public works	520
Health and human services	2
Culture and recreation	<u>18</u>
Total governmental activities	<u>\$ 2,913</u>

Business-Type Activities

Water/Sewer	355
Transfer station	<u>1</u>
Total business-type activities	<u>\$ 356</u>

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 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 pension and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

NOTE 11 - ACCRUED LIABILITIES

Accrued liabilities expenses represent fiscal year 2023 expenditures paid in fiscal year 2024, primarily comprised of teachers' summer pay.

NOTE 12 - UNEARNED REVENUES

Unearned revenues represent the receipt of ARPA funds that will be recognized in future years as eligible expenditures are incurred.

NOTE 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 at June 30, 2023 were as follows:

Governmental Activities				Amount Outstanding as of 6/30/23
	Original Issue	Serial Maturities Through	Interest Rate(s) %	
General Obligation Bonds:				
School building, department equipment, and Town building remodel	3,971,988	06/30/31	2.00%	\$ 2,070,000
Refunding	12,825,000	02/15/32	5.00%	<u>9,700,000</u>
Total Governmental Activities				\$ 11,770,000

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 13 - LONG-TERM DEBT (CONTINUED)

GENERAL OBLIGATION BONDS AND LOANS (CONTINUED)

Business-Type Activities	Original Issue	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/23
General Obligation Bonds:				
Water	125,000	06/30/31	3.00%	<u>\$ 80,000</u>
Total general obligation bonds				<u>80,000</u>
Loans - Direct Borrowings:				
Sewer plant - MWPAT	300,000	07/15/24	2.00%	38,805
Sewer plant - MWPAT	5,670,506	02/01/25	2.00%	<u>826,805</u>
Total Loans - Direct Borrowings				<u>865,610</u>
Total Business-Type Activities				<u>\$ 945,610</u>

FUTURE DEBT SERVICE

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2023 were as follows:

Governmental	Bonds - Public Offerings			Loans - Direct Borrowings			Total
Year	Principal	Interest	Principal	Interest	Principal	Interest	
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	1,315,000	283,425	--	--	--	--	1,598,425
2029-2032	<u>5,515,000</u>	<u>543,325</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>6,058,325</u>
	<u>\$ 11,770,000</u>	<u>\$ 2,512,050</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 14,282,050</u>

Business-Type	Bonds - Public Offerings			Loans - Direct Borrowings			Total
Year	Principal	Interest	Principal	Interest	Principal	Interest	
2024	\$ 10,000	\$ 2,150	\$ 430,470	\$ 18,121	\$ 460,741		
2025	10,000	1,750	435,140	196	447,086		
2026	10,000	1,750	--	--	11,750		
2027	10,000	1,350	--	--	11,350		
2028	10,000	1,100	--	--	11,100		
2029-2032	<u>30,000</u>	<u>1,150</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>31,150</u>
	<u>\$ 80,000</u>	<u>\$ 9,250</u>	<u>\$ 865,610</u>	<u>\$ 18,317</u>	<u>\$ 973,177</u>		

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 13 - LONG-TERM DEBT (CONTINUED)

CHANGES IN LONG-TERM LIABILITIES

During the year ended June 30, 2023, the following changes occurred in long-term liabilities (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-Term Portion
Governmental Activities						
Bonds payable:						
Public offerings	\$ 12,940	\$ --	\$ (1,170)	\$ 11,770	\$ (1,225)	\$ 10,545
Unamortized premium	1,036	--	(105)	931	(105)	826
	13,976	--	(1,275)	12,701	(1,330)	11,371
Net pension liability	14,301	3,102	--	17,403	--	17,403
Net OPEB liability	17,199	--	(3,966)	13,233	--	13,233
Compensated absences	145	--	--	145	--	145
Landfill liability	380	--	(20)	360	(20)	340
	\$ 46,001	\$ 3,102	\$ (5,261)	\$ 43,842	\$ (1,350)	\$ 42,492
Business-Type Activities						
Bonds and loans payable:						
Public offerings	\$ 90	\$ --	\$ (10)	\$ 80	\$ (10)	\$ 70
Loans payable (direct borrowings)	1,279	--	(413)	866	(430)	436
	1,369	--	(423)	946	(440)	506
Subtotal	241	11	--	252	--	252
Net pension liability	270	--	(78)	192	--	192
Net OPEB liability	16	--	--	16	--	16
	\$ 1,896	\$ 11	\$ (501)	\$ 1,406	\$ (440)	\$ 966

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.

NOTE 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.

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 14 - LANDFILL CLOSURE AND POST CLOSURE CARE COSTS (CONTINUED)

The \$360,000 reported as landfill post closure care liability at June 30, 2023 represents the remaining estimated post closure maintenance costs. These amounts are based on what it would cost to perform all post closure care in 2023. Actual cost maybe higher due to inflation, changes in technology, or changes in regulations.

NOTE 15 - DEFERRED INFLOWS OF RESOURCES

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

NOTE 16 – RESTRICTED NET POSITION

The Town's restricted net position at June 30, 2023 was comprised of the following:

Purpose	Governmental Activities
Grants and other statutory restrictions	\$ 5,457,031
Endowment funds:	
Nonexpendable	42,502
Expendable	<u>77,426</u>
	<u><u>\$ 5,576,959</u></u>

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 17 - GOVERNMENTAL FUNDS – BALANCES

The Town's fund balances at June 30, 2023 were comprised of the following:

	General Fund	Receipts Reserved Fund	School Choice Fund	Town Federal Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable						
Prepaid expenditures	\$ --	\$ --	\$ 154,067	\$ --	\$ --	154,067
Permanent funds	--	--	--	--	37,502	37,502
Total Nonspendable	--	--	154,067	--	37,502	191,569
Restricted						
Debt service	125,031	--	--	--	--	125,031
Special revenue funds:						
Cable	--	296,684	--	--	--	296,684
Proceeds of sale of land eminent domain	--	635,000	--	--	--	635,000
School choice	--	--	2,065,179	--	--	2,065,179
Circuit breaker	--	--	--	--	424,723	424,723
School lunch	--	--	--	--	214,917	214,917
Other	--	861,592	--	155,917	815,472	1,832,981
Capital project fund	--	--	--	--	34,365	34,365
Permanent funds	--	--	--	--	77,426	77,426
Total Restricted	125,031	1,793,276	2,065,179	155,917	1,566,903	5,706,306
Committed						
Continuing appropriations:						
General government	1,018,403	--	--	--	--	1,018,403
Public safety	575,132	--	--	--	--	575,132
Public works	148,337	--	--	--	--	148,337
Health and human services	115,000	--	--	--	--	115,000
Culture and recreation	86,412	--	--	--	--	86,412
Capital budget	1,255,220	--	--	--	--	1,255,220
Total Committed	3,198,504	--	--	--	--	3,198,504
Assigned						
Encumbrances:						
General government	8,487	--	--	--	--	8,487
Public safety	6,778	--	--	--	--	6,778
Education	108,458	--	--	--	--	108,458
Public works	3,150	--	--	--	--	3,150
Health and human services	434	--	--	--	--	434
Culture and recreation	161	--	--	--	--	161
Employee benefits	2,112	--	--	--	--	2,112
Operating budget	50,167	--	--	--	--	50,167
Total Assigned	179,747	--	--	--	--	179,747
Unassigned						
General fund	4,368,232	--	--	--	--	4,368,232
General stabilization fund	1,591,053	--	--	--	--	1,591,053
Deficits	--	--	--	--	(166,520)	(166,520)
Total Unassigned	5,959,285	--	--	--	(166,520)	5,792,765
Total Fund Balance	\$ 9,462,567	\$ 1,793,276	\$ 2,219,246	\$ 155,917	\$ 1,437,885	\$ 15,068,891

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 18 - 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 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 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.

Participant Contributions

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

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

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

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 18 - WORCESTER REGIONAL RETIREMENT SYSTEM (CONTINUED)

PLAN DESCRIPTION (CONTINUED)

Participant Retirement Benefits

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

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

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

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

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

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 18 - WORCESTER REGIONAL RETIREMENT SYSTEM (CONTINUED)

PLAN DESCRIPTION (CONTINUED)

Participant Retirement Benefits (Continued)

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.

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 18 - WORCESTER REGIONAL RETIREMENT SYSTEM (CONTINUED)

PLAN DESCRIPTION (CONTINUED)

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, 2023 was \$1,396,060, 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, 2023, the Town reported a liability of \$17,655,257 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2023, the Town's proportion was 1.716973%, which was a decrease of 0.010081% from its proportion measured as of June 30, 2022.

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 18 - WORCESTER REGIONAL RETIREMENT SYSTEM (CONTINUED)

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (CONTINUED)

For the year ended June 30, 2023, the Town recognized pension expense of \$1,917,200. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ --	\$ 540,296
Changes of assumptions	935,597	--
Net difference between projected and actual earnings on pension plan investments	1,191,470	--
Changes in proportion and differences between contributions and proportionate share of contributions	--	432,234
	<hr/> <u>\$ 2,127,067</u>	<hr/> <u>\$ 972,530</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>		
2024	\$ 137,240	
2025	346,235	
2026	415,991	
2027	726,085	
2028	<hr/> <u>(471,014)</u>	
	<hr/> <u>\$ 1,154,537</u>	

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 18 - WORCESTER REGIONAL RETIREMENT SYSTEM (CONTINUED)

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, 2022
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	Group 1: 6% - 4.25%, based on service 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	14 years

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

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:

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 18 - WORCESTER REGIONAL RETIREMENT SYSTEM (CONTINUED)

TARGET ALLOCATIONS (CONTINUED)

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Global equity	37.00%	4.74%
Core Fixed income	15.00%	2.10%
Value-Added Fixed Income	8.00%	5.20%
Private equity	16.00%	7.60%
Real estate	10.00%	3.10%
Timberland	4.00%	4.40%
Portfolio Completion (PCS)	<u>10.00%</u>	<u>3.90%</u>
	<u><u>100.00%</u></u>	<u><u></u></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:

	Current	
1%	Discount	1%
Decrease	Rate	Increase
(6.25%)	(7.25%)	(8.25%)
\$ 21,544,167	\$ 17,655,257	\$ 14,367,427

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 18 - WORCESTER REGIONAL RETIREMENT SYSTEM (CONTINUED)

PENSION PLAN FIDUCIARY NET POSITION

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

NOTE 19 - MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM (MTRS)

PLAN DESCRIPTION

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth of Massachusetts on behalf of municipal teachers and administrators and municipal teacher and administrator retirees. The Commonwealth of Massachusetts is a nonemployer contributor and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is part of the Commonwealth'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.

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 19 - MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM (MTRS) (CONTINUED)

BENEFITS PROVIDED (CONTINUED)

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 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, 2022 measurement date was determined by an actuarial valuation as of January 1, 2022 rolled forward to June 30, 2022. 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, 2020.

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 19 - MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM (MTRS) (CONTINUED)

ACTUARIAL ASSUMPTIONS (CONTINUED)

- Mortality rates were as follows:
 - Pre-retirement – reflects Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
 - Post-retirement – reflects Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct)
 - Disability – assumed to be in accordance with the Pub-2010 Teachers Retirees Mortality Table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).

TARGET ALLOCATIONS

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	38.00%	4.20%
Core fixed income	15.00%	0.50%
Private equity	15.00%	7.30%
Portfolio completion strategies	10.00%	2.70%
Real estate	10.00%	3.30%
Value added fixed income	8.00%	3.70%
Timber/natural resources	4.00%	3.90%
	<u>100.00%</u>	

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 19 - MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM (MTRS) (CONTINUED)

DISCOUNT RATE

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

SENSITIVITY ANALYSIS

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

	Current	
1%	Discount	1%
Decrease	Rate	Increase
(6.00%)	(7.00%)	(8.00%)
\$ 32,734,080	\$ 25,888,138	\$ 20,094,302

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 of Massachusetts 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 2022 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability was \$29,556,742 based on a proportionate share of 0.114171%. As required by GASB 68, the Town has recognized its portion of the Commonwealth of Massachusetts contribution of \$2,402,847 as both a revenue and expenditure in the General Fund, and its portion of the collective pension expense of \$2,431,330 as both a revenue and expense in the governmental activities.

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 20 - OTHER POST-EMPLOYMENT BENEFITS (GASB 74 AND GASB 75)

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

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

All the following OPEB disclosures are based on a measurement date of June 30, 2023.

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 2020. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of Massachusetts General Laws.

Benefits Provided

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

Funding Policy

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

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 20 - OTHER POST-EMPLOYMENT BENEFITS (GASB 74 AND GASB 75) (CONTINUED)

GENERAL INFORMATION ABOUT THE OPEB PLAN (CONTINUED)

Plan Membership

At June 30, 2023, the following employees were covered by the benefit terms:

Inactive (retired) employees or beneficiaries currently receiving benefit payments	126
Active employees and their dependents	<u>213</u>
	<u><u>339</u></u>

INVESTMENTS

The OPEB Trust Fund's assets consist of mutual funds and corporate equities at June 30, 2023.

RATE OF RETURN

For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 7.1%. 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, 2022, 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	Not specifically calculated given the trust balance
Municipal bond rate	4.13%
Discount rate	4.13%
Healthcare cost trend rates	7.00%, decreasing to 4.50% ultimate
Participation rate	Medical: 80%, Life Insurance: 80%

Mortality rates were based on PUB-2010 mortality table with MP-2021 projection.

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 20 - OTHER POST-EMPLOYMENT BENEFITS (GASB 74 AND GASB 75) (CONTINUED)

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, 2023 are summarized in the following table.

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Domestic equity	34.00%	3.90%
Domestic bond	22.00%	1.39%
International equity	21.00%	5.75%
International bond	17.00%	1.21%
Other	6.00%	3.14%
	<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 4.13%. 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, the Town used the municipal bond rate of 4.13% (based on index provided by Standard and Poor's on 20-year municipal bond rate as of June 30, 2023).

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 20 - OTHER POST-EMPLOYMENT BENEFITS (GASB 74 AND GASB 75) (CONTINUED)

NET OPEB LIABILITY

The components of the net OPEB liability, measured as of June 30, 2023, were as follows:

Total OPEB liability	\$ 14,664,316
Plan fiduciary net position	<u>1,239,770</u>
Net OPEB liability	<u><u>\$ 13,424,546</u></u>

Plan fiduciary net position as a percentage of the total OPEB liability 8.45%

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)		
	Plan		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 18,568,869	\$ 1,099,119	\$ 17,469,750
Changes for the year:			
Service cost	822,253	--	822,253
Interest	747,122	--	747,122
Contributions - employer	--	663,675	(663,675)
Net investment income	--	80,651	(80,651)
Differences between expected and actual experience	(3,452,256)	--	(3,452,256)
Changes in assumptions	(1,417,997)		(1,417,997)
Benefit payments	<u>(603,675)</u>	<u>(603,675)</u>	<u>--</u>
Net Changes	<u>(3,904,553)</u>	<u>140,651</u>	<u>(4,045,204)</u>
Balances, end of year	<u><u>\$ 14,664,316</u></u>	<u><u>\$ 1,239,770</u></u>	<u><u>\$ 13,424,546</u></u>

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 20 - OTHER POST-EMPLOYMENT BENEFITS (GASB 74 AND GASB 75) (CONTINUED)

CHANGES IN THE NET OPEB LIABILITY (CONTINUED)

Changes in differences between expected and actual experience reflect a change in the valuation software leading to a better model OPEB Plan. In addition, premiums did not increase as much as expected.

Changes of assumptions and other inputs reflect a change in the discount rate from 4.09% in 2022 to 4.13% in 2023.

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:

	Current	
1%	Discount	1%
Decrease	Rate	Increase
(3.13%)	(4.13%)	(5.13%)
\$ 15,779,020	\$ 13,424,546	\$ 11,517,737

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 were 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	
	Healthcare	
1%	Cost Trend	1%
Decrease	Rates	Increase
(6.00%)	(7.00%)	(8.00%)
\$ 11,300,552	\$ 13,424,546	\$ 16,148,274

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 20 - OTHER POST-EMPLOYMENT BENEFITS (GASB 74 AND GASB 75) (CONTINUED)

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 income of \$587,395. At June 30, 2023, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,014,379	\$ 7,855,813
Change in assumptions	2,086,540	7,506,985
Net difference between projected and actual OPEB investment earnings	<u>7,064</u>	<u>--</u>
	<u><u>\$ 3,107,983</u></u>	<u><u>\$ 15,362,798</u></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:

2024	\$ (1,904,367)
2025	(1,904,340)
2026	(1,859,655)
2027	(1,901,330)
2028	(1,894,190)
Thereafter	<u>(2,790,933)</u>
	<u><u>\$ (12,254,815)</u></u>

NOTE 21 - COMMITMENTS AND CONTINGENCIES

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.

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 21 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

GRANTS

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

ENCUMBRANCES

At year-end the Town's General Fund had \$129,580 in encumbrances that will be honored in the next fiscal year.

HEALTH INSURANCE

The Town participates in the Massachusetts Strategic Health Group (the Group) to provide health insurance to all eligible employees and retirees. The Group is funded by member contributions on a monthly basis. As of June 30, 2023, the Town's equity share in the Group was \$1,702,023.

NOTE 22 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 19, 2024, which is the date the financial statements were available to be issued.

TOWN OF DOUGLAS, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES (USES) – BUDGET AND ACTUAL – GENERAL FUND (*Unaudited*)

FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts			Variance with Final Budget
	Original Budget	Final Budget	Actual Amounts	
Revenues				
Property taxes	\$ 20,432,271	\$ 20,432,271	\$ 20,511,059	\$ 78,788
Excise taxes	1,232,147	1,232,147	1,679,781	447,634
Penalties, interest, and other taxes	90,000	90,000	244,988	154,988
Charges for services	128,850	128,850	196,158	67,308
Intergovernmental	10,102,253	10,102,253	10,071,027	(31,226)
Licenses and permits	401,064	401,064	1,515,074	1,114,010
Fines and forfeitures	17,300	17,300	16,549	(751)
Investment income	12,000	12,000	261,282	249,282
Miscellaneous	20,000	20,000	377,545	357,545
Total Revenues	32,435,885	32,435,885	34,873,463	2,437,578
Expenditures				
General government	2,443,049	3,751,381	3,559,330	192,051
Public safety	4,354,627	5,695,448	5,579,462	115,986
Education	18,471,664	19,037,152	18,856,246	180,906
Public works	1,618,688	1,763,688	1,675,658	88,030
Health and human services	301,689	422,039	371,350	50,689
Culture and recreation	382,841	469,251	438,191	31,060
Employee benefits	4,639,102	4,639,102	4,532,982	106,120
Debt service	2,050,626	2,050,626	2,048,934	1,692
Intergovernmental	357,166	357,166	337,707	19,459
Total Expenditures	34,619,452	38,185,853	37,399,860	785,993
Excess (Deficiency) of Revenues over Expenditures	(2,183,567)	(5,749,968)	(2,526,397)	3,223,571
Other Financing Sources/Uses				
Transfers in	408,518	551,080	551,080	--
Transfers out	--	--	(28,307)	(28,307)
Use of free cash:				
Operating budget	327,348	404,101	404,101	--
Capital budget	1,395,048	1,735,048	1,735,048	--
Use of restricted fund balance	15,629	15,629	15,629	--
Use of prior year carryforwards	--	3,007,086	3,007,086	--
Other sources	37,024	37,024	37,024	--
Total Other Financing Sources (Uses)	2,183,567	5,749,968	5,721,661	(28,307)
Overall Budgetary Excess	\$ --	\$ --	\$ 3,195,264	\$ 3,195,264

See independent auditors' report and notes to required supplementary information.

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR GENERAL FUND BUDGET

FOR THE YEAR ENDED JUNE 30, 2023

BUDGETARY BASIS

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

BUDGET/GAAP RECONCILIATION

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

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

	Revenues	Expenditures	Sources (Uses)
GAAP basis	\$ 37,177,700	\$ 36,871,832	\$ 204,649
Add end-of-year appropriation carryforwards to expenditures	--	2,623,094	--
To record use of free cash	--	--	2,139,149
To record use of prior year carryforwards	--	--	3,007,086
To reverse the effect of non-budgeted State contributions	(2,402,847)	(2,402,847)	--
Recognize use of restricted fund balance	--	--	15,629
To reclassify debt service expenditures	--	318,151	318,151
Other	<u>98,610</u>	<u>(10,370)</u>	<u>36,997</u>
Budgetary Basis	<u><u>\$ 34,873,463</u></u>	<u><u>\$ 37,399,860</u></u>	<u><u>\$ 5,721,661</u></u>

TOWN OF DOUGLAS, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

(Unaudited)
(Amounts expressed in thousands)

Worcester Regional Retirement System								
Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability		
June 30, 2023	December 31, 2022	1.716973%	\$ 17,655,257	\$ 6,900,219	255.87%		48.20%	
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								
Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Commonwealth of Massachusetts' Total Net Pension Liability Associated with the Town	Total Net Pension Liability Associated with the Town	Proportionate Share of the Net Pension Liability as a Percentage of the Total Net Pension Liability	Plan Fiduciary Net Position Percentage of the Total Net Pension Liability	Plan Fiduciary Net Position Percentage of the Total Net Pension Liability
June 30, 2023	June 30, 2022	0.114171%	\$ --	\$ 29,556,742	\$ 29,556,742	\$ 9,397,429	- %	57.75%
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 notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See independent auditors' report.

TOWN OF DOUGLAS, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF PENSION CONTRIBUTIONS

(Unaudited)

(Amounts expressed in thousands)

Worcester Regional Retirement System

Fiscal Year	Measurement Date	Actuarially Determined Contribution		Contributions in Relation to the		Covered Payroll	Contributions as a Percentage of Covered Payroll
		Actuarially Determined Contribution	Contribution Deficiency (Excess)	Actuarially Determined Contribution	Contribution Deficiency (Excess)		
June 30, 2023	December 31, 2022	\$ 1,396,060	\$ 1,396,060	\$ --	\$ 6,900,219	20.23%	
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

Fiscal Year	Measurement Date	Actuarially Determined Contribution		Contributions in Relation to the		Covered Payroll	Contributions as a Percentage of Covered Payroll
		Actuarially Determined Contribution	Contribution Deficiency (Excess)	Actuarially Determined Contribution	Contribution Deficiency (Excess)		
June 30, 2023	June 30, 2021	\$ 2,402,847	\$ 2,402,847	\$ --	\$ 9,397,429	25.57%	
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 notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See independent auditors' report.

TOWN OF DOUGLAS, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET OPEB LIABILITY

(Unaudited)

(Amounts expressed in thousands)

	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability							
Service cost	\$ 822,253	\$ 1,305,652	\$ 1,482,455	\$ 1,530,377	\$ 1,280,677	\$ 1,244,458	\$ 1,160,278
Interest	747,122	529,387	698,679	731,360	646,729	608,518	778,464
Differences between expected and actual experience	(3,452,256)	(247,507)	(4,683,048)	(2,513,378)	2,028,759	(268,883)	--
Changes of assumptions	(1,417,997)	(8,354,984)	1,971,718	577,711	850,870	594,117	--
Benefit payments, including refunds of member contributions	(603,675)	(268,216)	(262,766)	(284,336)	(307,200)	(292,466)	(269,884)
Net Change in Total OPEB Liability	(3,904,553)	(7,035,668)	(792,962)	41,734	4,499,835	1,885,744	1,668,858
Total OPEB liability - Beginning	18,568,869	25,604,537	26,397,499	26,355,765	21,855,930	19,970,186	18,301,328
Total OPEB liability - Ending (a)	14,664,316	18,568,869	25,604,537	26,397,499	26,355,765	21,855,930	19,970,186
Plan Fiduciary Net Position							
Contributions - employer	663,675	363,216	349,766	394,336	459,700	419,308	403,206
Net investment income (loss)	80,651	(182,497)	246,120	20,314	38,726	22,627	23,938
Benefit payments, including refunds of member contributions	(603,675)	(268,216)	(262,766)	(284,336)	(307,200)	(292,466)	(269,884)
Net change in Plan Fiduciary Net Position	140,651	(87,497)	333,120	130,314	191,226	149,469	157,260
Plan Fiduciary Net Position - Beginning	1,099,119	1,186,616	853,496	723,182	531,956	382,487	225,227
Plan Fiduciary Net Position - Ending (b)	1,239,770	1,099,119	1,186,616	853,496	723,182	531,956	382,487
Net OPEB liability - Ending (a-b)	\$ 13,424,546	\$ 17,469,750	\$ 24,417,921	\$ 25,544,003	\$ 25,632,583	\$ 21,323,974	\$ 19,587,699

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 auditors' report.

TOWN OF DOUGLAS, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF NET OPEB LIABILITY, CONTRIBUTIONS, AND INVESTMENT RETURNS

(Unaudited)
(Amounts expressed in thousands)

	2023	2022	2021	2020	2019	2018	2017
Schedule of Net OPEB Liability							
Total OPEB liability	\$ 14,664,316	\$ 18,568,869	\$ 25,604,537	\$ 26,397,499	\$ 26,355,765	\$ 21,855,930	\$ 19,970,186
Plan fiduciary net position	<u>1,239,770</u>	<u>1,099,119</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>\$ 13,424,546</u>	<u>\$ 17,469,750</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	8.45%	5.92%	4.63%	3.23%	2.74%	2.43%	1.92%
Covered employee payroll	\$ 18,922,863	\$ 17,699,308	\$ 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	71%	99%	143%	150%	155%	138%	127%
	2023	2022	2021	2020	2019	2018	2017
Schedule of Contributions							
Actuarially determined contribution	\$ 2,199,494	\$ 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>663,675</u>	<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>\$ 1,535,819</u>	<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	\$ 18,922,863	\$ 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	8%	14%	17%	17%	14%	9%	10%
	2023	2022	2021	2020	2019	2018	2017
Schedule of Investment Returns							
Annual money weighted rate of return, net of investment expense	7.10%	-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 auditors' report.

**INDEPENDENT AUDITORS' 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***

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, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated January 19, 2024.

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 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.

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Marcum LLP

Andover, MA
January 19, 2024