



TOWN OF SHARON, MASSACHUSETTS

Financial Statements
For the Year Ended June 30, 2022

(With Independent Auditor's Report Thereon)

TABLE OF CONTENTS

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

REQUIRED SUPPLEMENTARY INFORMATION:

Budget and Actual:

Schedule of Revenues, Expenditures, and Other Financing Sources (Uses)
– Budget and Actual – General Fund 64

Notes to Required Supplementary Information for General Fund Budget 65

Pension:

Schedule of Proportionate Share of the Net Pension Liability 66

Schedule of Pension Contributions 67

OPEB:

Schedule of Changes in Net OPEB Liability 68

Schedules of Net OPEB Liability, Contributions, and Investment Returns 69



INDEPENDENT AUDITOR'S REPORT

To the Select Board
Town of Sharon, 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 Sharon, Massachusetts (the Town), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are 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.

Change in Accounting Principle

As discussed in the notes to the financial statements, in the year ending June 30, 2022, the Town adopted GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Merrimack, New Hampshire
Andover, Massachusetts
Greenfield, Massachusetts
Ellsworth, Maine

800.282.2440 | melansoncpas.com



Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 sufficient evidence 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 10, 2023 on our consideration of the Town’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town’s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Melanson".

Andover, Massachusetts
January 10, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of 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 our 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 and sick 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 operations.

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.

Governmental Funds

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

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

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. Specifically, internal service funds are used to account for self-insured employee health programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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.

Financial Highlights

- As of the close of the current fiscal year, net position in governmental activities was \$63,591,370, a change of \$35,525,093 and net position in business-type activities was \$15,771,610, a change of \$(453,697).
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$51,925,075, a change of \$(48,429,979) in comparison to the prior.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$10,471,915, a change of \$2,232,741 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)					
	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Assets						
Current and other assets	\$ 85,507	\$ 119,835	\$ 10,303	\$ 12,856	\$ 95,810	\$ 132,691
Capital assets	<u>278,653</u>	<u>202,240</u>	<u>19,818</u>	<u>15,760</u>	<u>298,471</u>	<u>218,000</u>
Total Assets	364,160	322,075	30,121	28,616	394,281	350,691
Deferred Outflows of Resources	11,124	8,039	101	69	11,225	8,108
Liabilities						
Other liabilities	29,244	16,553	920	14	30,164	16,567
Long-term liabilities	<u>253,094</u>	<u>256,722</u>	<u>13,276</u>	<u>12,201</u>	<u>266,370</u>	<u>268,923</u>
Total Liabilities	282,338	273,275	14,196	12,215	296,534	285,490
Deferred Inflows of Resources	29,355	28,273	254	245	29,609	28,518
Net Position						
Net investment in capital assets	168,189	141,715	12,318	12,343	180,507	154,058
Restricted	12,721	9,697	-	-	12,721	9,697
Unrestricted	<u>(117,319)</u>	<u>(122,846)</u>	<u>3,454</u>	<u>3,882</u>	<u>(113,865)</u>	<u>(118,964)</u>
Total Net Position	<u>\$ 63,591</u>	<u>\$ 28,566</u>	<u>\$ 15,772</u>	<u>\$ 16,225</u>	<u>\$ 79,363</u>	<u>\$ 44,791</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 \$79,362,980, a change of \$35,071,396 in comparison to the prior year.

The largest portion of net position \$180,507,343 reflects our investment in capital assets (e.g., land, buildings and improvements, machinery, equipment, and furnishings, infrastructure, and construction in progress), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$12,721,324 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 \$(113,865,687) primarily resulting from unfunded pension and OPEB liabilities.

CHANGE IN NET POSITION
(in thousands)

	Governmental <u>Activities</u>		Business-Type <u>Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenues						
Program revenues:						
Charges for services	\$ 9,497	\$ 5,681	\$ 4,966	\$ 5,147	\$ 14,463	\$ 10,828
Operating grants and contributions	25,729	32,857	-	-	25,729	32,857
Capital grants and contributions	25,270	6,857	-	-	25,270	6,857
General revenues:						
Property taxes	78,353	75,565	-	-	78,353	75,565
Excises	3,451	2,370	-	-	3,451	2,370
Penalties, interest, and other taxes	1,609	954	-	-	1,609	954
Grants and contributions not restricted to specific programs	1,821	1,668	-	-	1,821	1,668
Investment income	387	969	-	-	387	969
Miscellaneous	304	247	-	-	304	247
Total Revenues	146,421	127,168	4,966	5,147	151,387	132,315
Expenses						
General government	4,998	6,078	-	-	4,998	6,078
Public safety	18,955	18,769	-	-	18,955	18,769
Education	66,369	72,104	-	-	66,369	72,104
Public works	10,516	12,401	-	-	10,516	12,401
Health and human services	1,436	1,580	-	-	1,436	1,580
Culture and recreation	2,771	2,616	-	-	2,771	2,616
Interest on long-term debt	4,661	4,281	-	-	4,661	4,281
Intergovernmental	1,073	959	-	-	1,073	959
Miscellaneous	17	-	-	-	17	-
Water services	-	-	5,519	3,947	5,519	3,947
Total Expenses	110,796	118,788	5,519	3,947	116,315	122,735
Change in Net Position Before Transfers	35,625	8,380	(553)	1,200	35,072	9,580
Transfers In (Out)	(100)	11	100	(11)	-	-
Change in Net Position	35,525	8,391	(453)	1,189	35,072	9,580
Net position - Beginning of Year (as restated)	28,066	20,175	16,225	15,036	44,291	35,211
Net position - End of Year	\$ 63,591	\$ 28,566	\$ 15,772	\$ 16,225	\$ 79,363	\$ 44,791

Fiscal year 2021 amounts were not restated because the application of Governmental Accounting Standards Board Statement No. 87, *Leases* to prior amounts was not practical.

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$35,525,093. Key elements of this change are as follows:

General Fund operations	\$	2,018,100
Internal service fund results		774,851
Capital grants and contributions (MSBA)		25,270,029
Change in net pension liability, net of related deferrals		3,594,294
Other changes		<u>3,867,819</u>
Total	\$	<u>35,525,093</u>

Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$(453,697) driven by a reduction in revenues and depreciation expense exceeding principal debt service expenditures.

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 inflows, outflows, 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 \$10,471,915 while total fund balance was \$10,834,661. The unassigned fund balance increased by \$2,232,741 primarily from the positive budgetary excess of \$2,626,765 less \$700,000 of “Free Cash” approved toward the fiscal year 2023 budget. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to General Fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/22</u>	<u>6/30/21</u>	<u>Change</u>	<u>% of General Fund Expenditures*</u>
Unassigned fund balance	\$ 10,471,915	\$ 8,239,174	\$ 2,232,741	11.2%
Total fund balance	\$ 10,834,661	\$ 8,816,561	\$ 2,018,100	11.6%

* 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 \$7,281,553.

The total fund balance of the General Fund changed by \$2,018,100 during the current fiscal year. Key factors in this change are as follows:

Revenues more than budget	\$ 2,005,858
Expenditures and transfer out less than budget	620,907
Use of free cash as a funding source	(700,000)
Change in stabilization	(10,695)
Other	<u>102,030</u>
Total	<u>\$ 2,018,100</u>

Included in the total fund balance of the General Fund is the Town's stabilization account, as follows:

	<u>6/30/22</u>	<u>6/30/21</u>	<u>Change</u>
General stabilization	\$ 1,002,490	\$ 1,013,185	\$ (10,695)

High School Construction Fund (Major Governmental Fund)

The fund balance of the High School Construction Fund changed by \$(53,242,643) primarily from the timing differences between the receipt and disbursement of grants and permanent financing of capital projects.

Nonmajor Governmental Funds

The fund balance of nonmajor governmental funds changed by \$2,794,564 primarily from timing differences between the receipt and disbursement of grants and permanent financing of capital projects.

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 fund at the end of the year amounted to \$3,453,781, a change of \$(428,386) in comparison to the prior year.

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

Capital Assets and Debt Administration

Capital Assets

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$298,471,294 (net of accumulated depreciation). This investment in capital assets includes land, building improvements, machinery, equipment, and furnishings, infrastructure, and construction in progress.

Major capital asset events during the current fiscal year included the following:

- \$79,062,994 – Construction for new High School project
- \$5,017,692 – Water tank and connections

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 \$150,123,494 all of which was backed by the full faith and credit of the Town.

The Town maintained their AA rating from S&P for general obligation debt.

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 of Sharon’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 Finance Director
Town of Sharon, Massachusetts
90 Main Street
Sharon, Massachusetts 02067

TOWN OF SHARON, MASSACHUSETTS

Statement of Net Position

June 30, 2022

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and short-term investments	\$ 71,482,637	\$ 8,909,711	\$ 80,392,348
Investments	9,792,843	-	9,792,843
Receivables, net of allowance for uncollectibles:			
Property taxes	1,670,085	-	1,670,085
Excises	197,908	-	197,908
User fees	406,122	1,393,649	1,799,771
Departmental and other	63,647	-	63,647
Intergovernmental	<u>141,630</u>	<u>-</u>	<u>141,630</u>
Total Current Assets	83,754,872	10,303,360	94,058,232
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	383,487	-	383,487
Leases	1,368,225	-	1,368,225
Capital assets:			
Nondepreciable capital assets	37,976,142	1,957,982	39,934,124
Other capital assets, net of accumulated depreciation	<u>240,677,053</u>	<u>17,860,117</u>	<u>258,537,170</u>
Total Noncurrent Assets	<u>280,404,907</u>	<u>19,818,099</u>	<u>300,223,006</u>
Total Assets	364,159,779	30,121,459	394,281,238
Deferred Outflows of Resources			
Related to pension	2,232,044	20,271	2,252,315
Related to OPEB	<u>8,891,645</u>	<u>80,795</u>	<u>8,972,440</u>
Total Deferred Outflows of Resources	11,123,689	101,066	11,224,755

(continued)

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

TOWN OF SHARON, MASSACHUSETTS

Statement of Net Position
June 30, 2022

(continued)

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Liabilities			
Current:			
Warrants and accounts payable	18,953,961	919,792	19,873,753
Accrued liabilities	8,574,892	-	8,574,892
Unearned revenue	1,402,099		1,402,099
Other current liabilities	313,818	-	313,818
Current portion of long-term liabilities:			
Bonds and loans payable	7,814,291	879,715	8,694,006
Compensated absences	141,576	6,919	148,495
Landfill liability	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Total Current Liabilities	<u>37,225,637</u>	<u>1,806,426</u>	<u>39,032,063</u>
Noncurrent:			
Bonds and loans payable, net of current portion	144,503,925	11,371,170	155,875,095
Compensated absences, net of current portion	2,689,953	131,459	2,821,412
Landfill liability, net of current portion	225,000	-	225,000
Net pension liability	21,036,299	191,046	21,227,345
Net OPEB liability	<u>76,657,463</u>	<u>696,560</u>	<u>77,354,023</u>
Total Noncurrent Liabilities	<u>245,112,640</u>	<u>12,390,235</u>	<u>257,502,875</u>
Total Liabilities	282,338,277	14,196,661	296,534,938
Deferred Inflows of Resources			
Related to pension	8,443,576	76,682	8,520,258
Related to OPEB	19,542,020	177,572	19,719,592
Related to leases	<u>1,368,225</u>	<u>-</u>	<u>1,368,225</u>
Total Deferred Inflows of Resources	29,353,821	254,254	29,608,075
Net Position			
Net investment in capital assets	168,189,514	12,317,829	180,507,343
Restricted for:			
Grants and other statutory restrictions	278,532	-	278,532
Education	4,372,508	-	4,372,508
Community preservation	2,804,342	-	2,804,342
Ambulance	2,096,483	-	2,096,483
Town revolving programs	2,004,691	-	2,004,691
Gifts and donations	412,080	-	412,080
Endowment funds:			
Nonexpendable	128,626	-	128,626
Expendable	624,062	-	624,062
Unrestricted	<u>(117,319,468)</u>	<u>3,453,781</u>	<u>(113,865,687)</u>
Total Net Position	<u>\$ 63,591,370</u>	<u>\$ 15,771,610</u>	<u>\$ 79,362,980</u>

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

TOWN OF SHARON, MASSACHUSETTS

Statement of Activities
For the Year Ended June 30, 2022

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities							
General government	\$ 4,998,059	\$ 768,417	\$ 1,501,403	\$ -	\$ (2,728,239)	\$ -	\$ (2,728,239)
Public safety	18,954,150	1,461,113	1,375,778	-	(16,117,259)	-	(16,117,259)
Education	66,369,034	3,267,972	22,400,742	25,270,029	(15,430,291)	-	(15,430,291)
Public works	10,515,650	3,308,083	532,379	-	(6,675,188)	-	(6,675,188)
Health and human services	1,436,050	140,142	41,702	-	(1,254,206)	-	(1,254,206)
Culture and recreation	2,771,127	550,500	60,898	-	(2,159,729)	-	(2,159,729)
Interest on long-term debt	4,660,800	-	-	-	(4,660,800)	-	(4,660,800)
Intergovernmental	1,073,423	-	-	-	(1,073,423)	-	(1,073,423)
Miscellaneous	17,262	-	-	-	(17,262)	-	(17,262)
Total Governmental Activities	110,795,555	9,496,227	25,912,902	25,270,029	(50,116,397)	-	(50,116,397)
Business-Type Activities							
Water services	5,519,294	4,965,597	-	-	-	(553,697)	(553,697)
Total Business-Type Activities	5,519,294	4,965,597	-	-	-	(553,697)	(553,697)
Total	\$ 116,314,849	\$ 14,461,824	\$ 25,912,902	\$ 25,270,029	(50,116,397)	(553,697)	(50,670,094)
General Revenues, Contributions and Transfers:							
Property taxes					78,353,484	-	78,353,484
Excises					3,450,748	-	3,450,748
Penalties, interest, and other taxes					1,609,375	-	1,609,375
Grants and contributions not restricted to specific programs					1,820,596	-	1,820,596
Investment income					387,311	-	387,311
Miscellaneous					119,976	-	119,976
Transfers, net					(100,000)	100,000	-
Total General Revenues, Contributions, and Transfers					85,641,490	100,000	85,741,490
Change in Net Position					35,525,093	(453,697)	35,071,396
Net Position							
Beginning of Year, as restated					28,066,277	16,225,307	44,291,584
End of Year					\$ 63,591,370	\$ 15,771,610	\$ 79,362,980

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

TOWN OF SHARON, MASSACHUSETTS

Governmental Funds
Balance Sheet
June 30, 2022

	General Fund	High School Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and short-term investments	\$ 8,963,522	\$ 36,314,222	\$ 22,454,775	\$ 67,732,519
Investments	8,336,100	86,907	1,369,836	9,792,843
Receivables:				-
Property taxes	2,223,572	-	-	2,223,572
Excises	241,908	-	-	241,908
User fees	-	-	520,122	520,122
Departmental and other	450	-	63,197	63,647
Intergovernmental	-	-	141,630	141,630
Leases	<u>1,368,225</u>	<u>-</u>	<u>-</u>	<u>1,368,225</u>
Total Assets	<u>\$ 21,133,777</u>	<u>\$ 36,401,129</u>	<u>\$ 24,549,560</u>	<u>\$ 82,084,466</u>
Liabilities				
Warrants and accounts payable	\$ 734,363	\$ 17,313,653	\$ 905,195	\$ 18,953,211
Accrued liabilities	5,473,499	-	93,091	5,566,590
Other liabilities	257,100	-	56,718	313,818
Unearned revenue	<u>-</u>	<u>-</u>	<u>964,599</u>	<u>964,599</u>
Total Liabilities	6,464,962	17,313,653	2,019,603	25,798,218
Deferred Inflows of Resources				
Unavailable revenues	2,465,929	-	527,019	2,992,948
Related to leases	1,368,225	-	-	1,368,225
Fund Balances				
Nonspendable	-	-	128,626	128,626
Restricted	125,855	19,087,476	21,874,312	41,087,643
Assigned	236,891	-	-	236,891
Unassigned	<u>10,471,915</u>	<u>-</u>	<u>-</u>	<u>10,471,915</u>
Total Fund Balances	<u>10,834,661</u>	<u>19,087,476</u>	<u>22,002,938</u>	<u>51,925,075</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 21,133,777</u>	<u>\$ 36,401,129</u>	<u>\$ 24,549,560</u>	<u>\$ 82,084,466</u>

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

TOWN OF SHARON, MASSACHUSETTS

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

Total Governmental Fund Balances	\$	51,925,075
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.		278,653,195
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.		2,227,448
• Internal service funds are used by management to account for health insurance activities. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.		3,030,877
• Long-term liabilities are not due and payable in the current period and therefore, are not reported in governmental funds.		
Bonds and loans payable		(152,318,216)
Compensated absences		(2,831,529)
Landfill liability		(250,000)
Net pension liability and related deferrals		(27,247,831)
Net OPEB Liability and related deferrals		(87,307,838)
• Accrued interest.		<u>(2,289,811)</u>
Net Position of Governmental Activities	\$	<u><u>63,591,370</u></u>

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

TOWN OF SHARON, MASSACHUSETTS

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

	General Fund	High School Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 77,662,089	\$ -	\$ 632,333	\$ 78,294,422
Excises	3,329,715	-	-	3,329,715
Penalties, interest, and other taxes	1,609,375	-	-	1,609,375
User fee revenue	-	-	293,532	293,532
Charges for services	437,313	-	7,721,903	8,159,216
Intergovernmental	18,636,400	24,661,975	8,052,409	51,350,784
Licenses and permits	1,095,900	-	-	1,095,900
Fines and forfeitures	45,998	-	-	45,998
Investment income (loss)	408,763	-	(21,452)	387,311
Miscellaneous	29,915	-	152,193	182,108
Contributions	-	23,593	258,483	282,076
	<u>103,255,468</u>	<u>24,685,568</u>	<u>17,089,401</u>	<u>145,030,437</u>
Total Revenues				
Expenditures				
Current:				
General government	2,232,606	-	956,274	3,188,880
Public safety	7,882,114	-	1,559,067	9,441,181
Education	55,029,701	79,178,713	9,125,403	143,333,817
Public works	4,191,259	-	3,801,286	7,992,545
Health and human services	620,057	-	131,256	751,313
Culture and recreation	1,456,810	-	631,067	2,087,877
Employee benefits	16,397,105	-	-	16,397,105
Debt service:				
Principal	6,576,300	-	229,000	6,805,300
Interest	4,920,337	-	139,694	5,060,031
Intergovernmental	1,073,423	-	-	1,073,423
	<u>100,379,712</u>	<u>79,178,713</u>	<u>16,573,047</u>	<u>196,131,472</u>
Total Expenditures				
Excess (Deficiency) of Revenues over Expenditures	2,875,756	(54,493,145)	516,354	(51,101,035)
Other Financing Sources (Uses)				
Proceeds of bonds	-	-	2,595,000	2,595,000
Bond premiums	-	-	326,056	326,056
Transfers in	809,754	1,250,502	2,218,357	4,278,613
Transfers out	(1,667,410)	-	(2,861,203)	(4,528,613)
	<u>(857,656)</u>	<u>1,250,502</u>	<u>2,278,210</u>	<u>2,671,056</u>
Total Other Financing Sources (Uses)				
Change in Fund Balance	2,018,100	(53,242,643)	2,794,564	(48,429,979)
Fund Balances, at Beginning of Year	<u>8,816,561</u>	<u>72,330,119</u>	<u>19,208,374</u>	<u>100,355,054</u>
Fund Balances, at End of Year	<u>\$ 10,834,661</u>	<u>\$ 19,087,476</u>	<u>\$ 22,002,938</u>	<u>\$ 51,925,075</u>

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

TOWN OF SHARON, MASSACHUSETTS

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

Net Changes in Fund Balances - Total Governmental Funds	\$ (48,429,979)																												
<ul style="list-style-type: none"> • 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: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;">Capital outlay</td> <td style="text-align: right;">83,111,196</td> </tr> <tr> <td>Net effect from disposal of assets</td> <td style="text-align: right;">(17,262)</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(6,680,268)</td> </tr> </table> • The issuance of long-term debt 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: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;">Issuance of general obligations bonds</td> <td style="text-align: right;">(2,595,000)</td> </tr> <tr> <td>Premiums received on issuance of general obligation bonds</td> <td style="text-align: right;">(388,188)</td> </tr> <tr> <td>Repayments of general obligations bonds and loans</td> <td style="text-align: right;">6,848,841</td> </tr> <tr> <td>Amortization of premium</td> <td style="text-align: right;">714,656</td> </tr> </table> • 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 certain 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, net of change in allowance for doubtful accounts. <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">81,676</td> </tr> </table> • Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;">Change in accrued compensated absences</td> <td style="text-align: right;">539,038</td> </tr> <tr> <td>Change in landfill liability</td> <td style="text-align: right;">25,000</td> </tr> <tr> <td>Change in pension expense from GASB 68</td> <td style="text-align: right;">3,594,294</td> </tr> <tr> <td>Change in OPEB expense from GASB 75</td> <td style="text-align: right;">(1,738,337)</td> </tr> <tr> <td>Change in accrued interest</td> <td style="text-align: right;">(315,425)</td> </tr> </table> • Internal service funds are used by management to account for health insurance activities. The net activity of the internal service fund is reported with governmental activities. <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right; border-top: 1px solid black;">774,851</td> </tr> </table> 		Capital outlay	83,111,196	Net effect from disposal of assets	(17,262)	Depreciation	(6,680,268)	Issuance of general obligations bonds	(2,595,000)	Premiums received on issuance of general obligation bonds	(388,188)	Repayments of general obligations bonds and loans	6,848,841	Amortization of premium	714,656		81,676	Change in accrued compensated absences	539,038	Change in landfill liability	25,000	Change in pension expense from GASB 68	3,594,294	Change in OPEB expense from GASB 75	(1,738,337)	Change in accrued interest	(315,425)		774,851
Capital outlay	83,111,196																												
Net effect from disposal of assets	(17,262)																												
Depreciation	(6,680,268)																												
Issuance of general obligations bonds	(2,595,000)																												
Premiums received on issuance of general obligation bonds	(388,188)																												
Repayments of general obligations bonds and loans	6,848,841																												
Amortization of premium	714,656																												
	81,676																												
Change in accrued compensated absences	539,038																												
Change in landfill liability	25,000																												
Change in pension expense from GASB 68	3,594,294																												
Change in OPEB expense from GASB 75	(1,738,337)																												
Change in accrued interest	(315,425)																												
	774,851																												
Change in Net Position of Governmental Activities	\$ <u>35,525,093</u>																												

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

TOWN OF SHARON, MASSACHUSETTS

Proprietary Funds
Statement of Net Position
June 30, 2022

	Business-Type Activities <u>Enterprise Funds</u>	<u>Governmental Activities</u> Internal Service <u>Fund</u>
	Water <u>Fund</u>	<u>Fund</u>
Assets		
Current:		
Cash and short-term investments	\$ 8,909,711	\$ 3,750,118
User fees receivable, net of allowance for uncollectible	<u>1,393,649</u>	<u>-</u>
Total Current Assets	10,303,360	3,750,118
Noncurrent:		
Capital assets:		
Nondepreciable capital assets	1,957,982	-
Other capital assets, net of accumulated depreciation	<u>17,860,117</u>	<u>-</u>
Total Noncurrent Assets	<u>19,818,099</u>	<u>-</u>
Total Assets	30,121,459	3,750,118
Deferred Outflows of Resources		
Related to pension	20,271	-
Related to OPEB	<u>80,795</u>	<u>-</u>
Total Deferred Outflows of Resources	101,066	-
Liabilities		
Current:		
Warrants and accounts payable	919,792	750
Accrued liabilities	-	718,491
Current portion of long-term liabilities:		
Bonds payable	879,715	-
Compensated absences	<u>6,919</u>	<u>-</u>
Total Current Liabilities	1,806,426	719,241
Noncurrent:		
Bonds payable, net of current portion	11,371,170	-
Compensated absences, net of current portion	131,459	-
Net pension liability	191,046	-
Net OPEB liability	<u>696,560</u>	<u>-</u>
Total Noncurrent Liabilities	<u>12,390,235</u>	<u>-</u>
Total Liabilities	14,196,661	719,241
Deferred Inflows of Resources		
Related to pension	76,682	-
Related to OPEB	<u>177,572</u>	<u>-</u>
Total Deferred Inflows of Resources	254,254	-
Net Position		
Net investment in capital assets	12,317,829	-
Unrestricted	<u>3,453,781</u>	<u>3,030,877</u>
Total Net Position	<u>\$ 15,771,610</u>	<u>\$ 3,030,877</u>

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

TOWN OF SHARON, MASSACHUSETTS

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

	<u>Business-Type Activities Enterprise Funds</u>	<u>Governmental Activities</u>
	<u>Water Fund</u>	<u>Internal Service Fund</u>
Operating Revenues		
Charges for services	\$ 4,939,533	\$ -
Employee and employer contributions	-	13,654,425
Miscellaneous	<u>26,064</u>	<u>-</u>
Total Operating Revenues	4,965,597	13,654,425
Operating Expenses		
Salaries and benefits	2,017,115	-
Other operating expenses	2,188,168	13,029,574
Depreciation	<u>980,051</u>	<u>-</u>
Total Operating Expenses	<u>5,185,334</u>	<u>13,029,574</u>
Operating Income (Loss)	(219,737)	624,851
Nonoperating Expenses		
Interest expense	<u>(333,960)</u>	<u>-</u>
Total Nonoperating Expenses	<u>(333,960)</u>	<u>-</u>
Income (Loss) Before Transfers	(553,697)	624,851
Transfer in	<u>100,000</u>	<u>150,000</u>
Change in Net Position	(453,697)	774,851
Net Position, at Beginning of Year	<u>16,225,307</u>	<u>2,256,026</u>
Net Position, at End of Year	<u>\$ 15,771,610</u>	<u>\$ 3,030,877</u>

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

TOWN OF SHARON, MASSACHUSETTS

Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2022

	<u>Business-Type Activities Enterprise Funds</u>	<u>Governmental Activities Internal Service Fund</u>
	<u>Water Fund</u>	
Cash Flows From Operating Activities		
Receipts from customers and users	\$ 4,889,388	\$ 13,654,425
Payments to employees	(1,893,044)	-
Payments to vendors	<u>(1,338,726)</u>	<u>(13,029,003)</u>
Net Cash Provided By Operating Activities	1,657,618	625,422
Cash Flows From Capital and Related Financing Activities		
Proceeds of bonds	1,540,000	-
Proceeds of bond premiums	210,000	-
Principal payments on bonds	(719,700)	-
Amortization of premiums	(44,215)	-
Interest expense	(333,960)	-
Acquisition and construction of capital assets	<u>(5,038,289)</u>	<u>-</u>
Net Cash Used For Capital and Related Financing Activities	(4,386,164)	-
Cash Flows From Noncapital Financing Activities		
Transfer in	<u>100,000</u>	<u>150,000</u>
Net Cash Provided By Noncapital Financing Activities	<u>100,000</u>	<u>150,000</u>
Net Change in Cash and Short-Term Investments	(2,628,546)	775,422
Cash and Short-Term Investments, Beginning of Year	<u>11,538,257</u>	<u>2,974,696</u>
Cash and Short-Term Investments, End of Year	<u>\$ 8,909,711</u>	<u>\$ 3,750,118</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities		
Operating income (loss)	\$ (219,737)	\$ 624,851
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	980,051	-
Changes in assets, liabilities, and deferred outflow/inflows:		
User fees receivable	(76,209)	-
Deferred outflows - related to pension	(4,266)	-
Deferred outflows - related to OPEB	(27,186)	-
Warrants and accounts payable	905,340	(386)
Accrued liabilities	35,495	957
Net pension liability	(69,446)	-
Net OPEB liability	124,071	-
Deferred inflows - related to pension	53,626	-
Deferred inflows - related to OPEB	<u>(44,121)</u>	<u>-</u>
Net Cash Provided By Operating Activities	<u>\$ 1,657,618</u>	<u>\$ 625,422</u>

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

TOWN OF SHARON, MASSACHUSETTS

Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2022

	<u>OPEB Trust Fund</u>	<u>Private Purpose Trust Funds</u>	<u>Custodial Funds</u>
Assets			
Cash and short-term investments	\$ 30,732	\$ 24,106	\$ 518,225
Investments:			
Equity mutual funds	1,700,993	-	-
Fixed income mutual funds	<u>564,758</u>	<u>-</u>	<u>-</u>
Total Investments	<u>2,265,751</u>	<u>-</u>	<u>-</u>
Total Assets	2,296,483	24,106	518,225
Liabilities			
Other liabilities	<u>-</u>	<u>-</u>	<u>625</u>
Net Position			
Restricted for OPEB	2,296,483	-	-
Restricted for individuals, organizations, and other governments	<u>-</u>	<u>24,106</u>	<u>517,600</u>
Total Net Position	<u>\$ 2,296,483</u>	<u>\$ 24,106</u>	<u>\$ 517,600</u>

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

TOWN OF SHARON, MASSACHUSETTS

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

	<u>OPEB Trust Fund</u>	<u>Private Purpose Trust Funds</u>	<u>Custodial Funds</u>
Additions			
Employer	\$ 2,026,388	\$ -	\$ -
Investment income (loss), net	(169,298)	21	-
Fees collected for students	-	-	235,372
Taxes collected for other governments	-	-	106,385
Miscellaneous revenues	-	150	95
	<u>1,857,090</u>	<u>171</u>	<u>341,852</u>
Deductions			
Benefit payments to plan members, beneficiaries and other systems	1,626,388	-	-
Payments on behalf of students	-	-	195,681
Payment of taxes to other governments	-	-	157,170
Other	-	1,299	360
	<u>1,626,388</u>	<u>1,299</u>	<u>353,211</u>
Total Deductions	<u>1,626,388</u>	<u>1,299</u>	<u>353,211</u>
Change in Net Position	230,702	(1,128)	(11,359)
Restricted Net Position			
Beginning of Year	<u>2,065,781</u>	<u>25,234</u>	<u>528,959</u>
End of Year	\$ <u><u>2,296,483</u></u>	\$ <u><u>24,106</u></u>	\$ <u><u>517,600</u></u>

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

TOWN OF SHARON, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Sharon, 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 of the Government:

Reporting Entity

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

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Measurement Focus, Basis of Accounting, and Financial Statement 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 *High School Construction Fund* accounts for funds used in the construction of the new high school.

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 enterprise funds 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 its *Water Fund* as a major proprietary fund.

The Town's health insurance program is reported as an *Internal Service Fund* in the accompanying financial statements.

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

The Town reports the following fiduciary funds:

- The *Other Post-Employment Benefit Trust Fund* is used to accumulate resources for health and life insurance benefits for retired employees.
- The *Private-Purpose Trust 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 or private organizations.
- 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 other governments and student activity funds.

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, and 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 short-term investments.

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

Property Tax Limitations

Legislation known as “Proposition 2½” has limited the amount of revenue that can be derived from property taxes. The prior fiscal year’s tax levy limit is used as a base and cannot increase by more than 2.5% (excluding new growth), unless an override is voted. 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 statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$20,000 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
Machinery, equipment, and furnishings	5
Computer equipment	5

Leases

The Town recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the Town initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is

initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term on a straight-line basis over its useful life. The following key assumptions are made:

- The Town uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease, including renewal terms reasonably certain to be exercised. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The Town is the lessor of the Wilbur School property. The term is for 75 years beginning in 2008. The Town will receive \$60,000 annually commencing in March 2030. As of June 30, 2022 the Town's receivable for lease payments was \$1,368,225. The Town also has a deferred inflow of resources associated with the lease that will be recognized as revenue over the lease term.

The Town monitors changes in circumstances that would require a remeasurement of its lease receivable and will remeasure the lease receivable if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

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

Fund Equity

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

Fund Balance

Generally, fund balance represents the difference between current 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 General Fund reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.
- *Restricted* represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes General Fund encumbrances funded by bond issuances, various special revenue 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 various special revenue funds.
- *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, and surplus set aside to be used in the subsequent year's budget.
- *Unassigned* represents amounts that are available to be spent in future periods, general stabilization funds, and deficit funds. The General Fund is the only fund that reports a positive unassigned fund balance.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Position

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

Use of Estimates

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

2. Stewardship, Compliance, and Accountability

Budgetary Information

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

Departments are limited to the line items as voted. Certain items may exceed the line-item budget as approved if it is for an emergency and for the safety of the general public. 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.

3. Deposits and Investments (Excluding OPEB Trust Fund)

Massachusetts General Laws (MGL) Chapter 44, Section 55 place certain limitation on the nature of deposits and investments available to the Town. Deposits, including demand deposits, money markets, certificates of deposits in any one financial institution, may not exceed 60% of the capital and surplus of such institution unless collateralized by the institution involved. Investments may be made in unconditionally guaranteed U.S. government obligations having maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consist of such obligations. Other allowable investments include

certificates of deposits having a maturity date of up to 3 years from the date of purchase, national banks, and Massachusetts Municipal Depository Trust (MMDT). MMDT, which is an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts, meets the criteria established by Governmental Accounting Standards Board (GASB) Statement No. 79, *Certain External Investment Pools and Pool Participants*. MMDT has a 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.

Deposits

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. The Town does not have a formal deposit policy related to the custodial credit risk of deposits.

As of June 30, 2022, \$1,036,933 of the Town’s bank balance of \$82,282,483 was exposed to custodial credit risk as uninsured or uncollateralized, \$81,122,643 was collateralized by securities held by the pledging financial institution, and \$122,907 was collateralized by securities held by the pledging financial institution’s trust department or agent but not in the Town’s name.

Investments

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

<u>Investment Type</u>	<u>Amount</u>
Corporate bonds	\$ 707,236
Corporate equities	476,753
Federal agency securities	250,863
Fixed income mutual funds	253,605
Market-linked certificates of deposit	161,823
U.S. Treasury notes	<u>7,942,563</u>
Total	<u>\$ 9,792,843</u>

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 possession of another party. The Town does not have formal investment policies related to custodial credit risk.

As of June 30, 2022, all of the Town’s total investments were subject to custodial credit risk exposure because the related securities were uninsured, unregistered, and/or held by the Town’s brokerage firm, which is also the counterparty to these securities as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Held by Counterparty</u>
Corporate bonds	\$ 707,236	\$ 707,236
Corporate equities	476,753	476,753
Federal agency securities	250,863	250,863
Market-linked certificates of deposit	161,823	161,823
U.S. Treasury notes	<u>7,942,563</u>	<u>7,942,563</u>
Total	<u>\$ 9,539,238</u>	<u>\$ 9,539,238</u>

Credit Risk – Investments in Debt Securities

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation. The Town does not have formal investment policies related to credit risk.

As of June 30, 2022, the credit quality ratings, as rated by S&P Global Ratings, of the Town’s debt securities were as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>				
		<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Unrated</u>
Corporate bonds	\$ 707,236	\$ -	\$ 25,167	\$ 337,420	\$ 344,649	\$ -
Federal agency securities	250,863	250,863	-	-	-	-
Fixed income mutual funds	253,605	-	-	-	-	253,605
Market-linked certificates of deposit	<u>161,823</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>161,823</u>
Total	<u>\$ 1,373,527</u>	<u>\$ 250,863</u>	<u>\$ 25,167</u>	<u>\$ 337,420</u>	<u>\$ 344,649</u>	<u>\$ 415,428</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the Town’s investment in a single issuer. The Town places no limit on the amount invested in any one issuer. The Town does not have formal investment policies related to concentration of credit risk exposure.

As of June 30, 2022, 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 does not have formal investment policies limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the Town’s investments to market interest rate fluctuations is as follows as of June 30, 2022:

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
Corporate bonds	\$ 707,236	\$ 49,998	\$ 657,238	\$ -
Federal agency securities	250,863	35,072	215,791	-
Fixed income mutual funds	253,605	-	-	253,605
Market-linked certificates of deposit	161,823	161,823	-	-
U.S. Treasury notes	<u>7,942,563</u>	<u>165,238</u>	<u>7,777,325</u>	<u>-</u>
Total	\$ <u>9,316,090</u>	\$ <u>412,131</u>	\$ <u>8,650,354</u>	\$ <u>253,605</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 does not currently have any foreign investments. The Town does not have formal investment policies related to foreign currency risk.

As of June 30, 2022, none of the Town’s investments were exposed to foreign currency risk.

Fair Value

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

The hierarchy is based on the valuation inputs used to measure the fair value of an asset or 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, 2022:

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value Measurements Using:</u>	
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>
Investments by fair value level:			
Corporate bonds	\$ 707,236	\$ -	\$ 707,236
Corporate equities	476,753	476,753	-
Federal agency securities	250,863	-	250,863
Fixed income mutual funds	253,605	-	253,605
Market-linked certificates of deposit	161,823	-	161,823
U.S. Treasury notes	<u>7,942,563</u>	<u>7,942,563</u>	<u>-</u>
Total	\$ <u>9,792,843</u>	\$ <u>8,419,316</u>	\$ <u>1,373,527</u>

Equity securities 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.

4. Investments - OPEB Trust Fund

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

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

<u>Investment Type</u>	<u>Amount</u>
Equity mutual funds	\$ 1,700,993
Fixed income mutual funds	<u>564,758</u>
Total	<u>\$ 2,265,751</u>

Custodial Credit Risk

As of June 30, 2022, \$564,758 of the OPEB Trust Fund's total investments were subject to custodial credit risk exposure because the related securities were uninsured, unregistered, and/or held by the OPEB Trust Fund's brokerage firm, which is also the counterparty to these securities as follows:

<u>Investment Type</u>	<u>Amount</u>	Held by <u>Counterparty</u>
Fixed income mutual funds	\$ <u>564,758</u>	\$ <u>564,758</u>
Total	\$ <u>564,758</u>	\$ <u>564,758</u>

Credit Risk – Investments in Debt Securities

As of June 30, 2022, the credit quality ratings, as rated by S&P Global Ratings, of the OPEB Trust Fund's debt securities were as follows:

<u>Investment Type</u>	<u>Amount</u>	Rating as of <u>Year End</u> <u>Unrated</u>
Fixed income mutual funds	\$ <u>564,758</u>	\$ <u>564,758</u>
Total	\$ <u>564,758</u>	\$ <u>564,758</u>

Concentration of Credit Risk

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

As of June 30, 2022, the OPEB Trust Fund did not have an investment in one issuer greater than 5% of total investments.

Interest Rate Risk

Information about the sensitivity of the fair values of the OPEB Trust Fund's investments to market interest rate fluctuations is as follows at June 30, 2022:

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>
Fixed income mutual funds	\$ <u>564,758</u>	\$ <u>564,758</u>
Total	\$ <u>564,758</u>	\$ <u>564,758</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 OPEB Trust Fund does not have formal investment policies related to foreign currency risk.

At June 30, 2022, none of the OPEB Trust Fund's investments were exposed to foreign currency risk.

Fair Value

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

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value Measurements Using:</u>	
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>
Investments by fair value level:			
Equity mutual funds	\$ 1,700,993	\$ 1,700,993	\$ -
Fixed income mutual funds	<u>564,758</u>	<u>-</u>	<u>564,758</u>
Total	\$ <u>2,265,751</u>	\$ <u>1,700,993</u>	\$ <u>564,758</u>

Equity securities 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 is debt securities have non-proprietary information that was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

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 generally occurs annually. The Town ultimately has the right to foreclose on all properties where the taxes remain unpaid.

A statewide property tax limitation known as "Proposition 2 ½" limits the amount of increase in the property tax levy in any fiscal year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2 ½% of the total assessed value of all taxable property within the Town. Secondly, the tax levy cannot increase by more than 2 ½% of the prior year's levy plus the taxes on property newly added to the tax rolls. The actual fiscal year 2022 tax levy reflected an excess capacity of \$3,281,010.

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.

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

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Current Portion	Long- Term Portion
Real estate taxes	\$ 832,529	\$ (25,000)	\$ 807,529	\$ -
Personal property taxes	55,005	(11,000)	44,005	-
Tax liens	426,487	(43,000)	-	383,487
Deferred taxes	<u>909,551</u>	<u>(91,000)</u>	<u>818,551</u>	<u>-</u>
Total property taxes	<u>\$ 2,223,572</u>	<u>\$ (170,000)</u>	<u>\$ 1,670,085</u>	<u>\$ 383,487</u>
Motor vehicle excise	<u>\$ 241,908</u>	<u>\$ (44,000)</u>	<u>\$ 197,908</u>	
Total excises	<u>\$ 241,908</u>	<u>\$ (44,000)</u>	<u>\$ 197,908</u>	

6. User Fees Receivable

Receivables for user charges and betterments at June 30, 2022 consisted of the following:

	Gross Amount	Allowance for Doubtful Accounts	Net Amount
Water	\$ 1,420,649	\$ (27,000)	\$ 1,393,649
Ambulance	389,366	(101,000)	288,366
Trash	<u>130,756</u>	<u>(13,000)</u>	<u>117,756</u>
Total	<u>\$ 1,940,771</u>	<u>\$ (141,000)</u>	<u>\$ 1,799,771</u>

7. Intergovernmental Receivables

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

8. Interfund Accounts

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 schedule of major interfund transfers for the year ended June 30, 2022.

<u>Governmental Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 809,754	\$ 1,667,410
Major High School Construction Fund	1,250,502	-
Internal Service Fund	150,000	-
Nonmajor Governmental Funds:		
Special Revenue Funds	775,091	1,391,773
Capital Project Funds	<u>1,443,266</u>	<u>1,469,430</u>
Subtotal Nonmajor Governmental Funds	2,218,357	2,861,203
<u>Business-Type Funds</u>		
Water Fund	<u>100,000</u>	<u>-</u>
Subtotal Business-Type Funds	<u>100,000</u>	<u>-</u>
Total	\$ <u><u>4,528,613</u></u>	\$ <u><u>4,528,613</u></u>

Of the transfer into the General Fund, \$650,000 was transferred from the Ambulance Reserve to fund the fire and police budget, \$130,539 was transferred from the Community Education Revolving Fund, and \$29,215 was transferred from the Septic Fund. Of the transfer out of the General Fund, \$1,233,282 was transferred into the Capital Project Fund to fund FY2022 capital expenditures, \$192,378 was transferred to the Coronavirus Relief Fund, \$150,000 was transferred to the Internal Service Fund, \$50,000 was transferred to the Assessor's Inspection Revolving Fund, and \$41,750 was transferred to the Kindergarten Revolving Fund. The Town's other routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the General Fund to other funds based on budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to expend them.

9. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Being Depreciated:				
Buildings and improvements	\$ 190,963	\$ 79,341	\$ -	\$ 270,304
Machinery, equipment, and furnishings	24,040	1,966	(151)	25,855
Infrastructure	<u>30,670</u>	<u>1,551</u>	<u>-</u>	<u>32,221</u>
Total Capital Assets, Being Depreciated	245,673	82,858	(151)	328,380
Less Accumulated Depreciation For:				
Buildings and improvements	(52,762)	(4,673)	-	(57,435)
Machinery, equipment, and furnishings	(18,596)	(1,087)	134	(19,549)
Infrastructure	<u>(9,799)</u>	<u>(920)</u>	<u>-</u>	<u>(10,719)</u>
Total Accumulated Depreciation	<u>(81,157)</u>	<u>(6,680)</u>	<u>134</u>	<u>(87,703)</u>
Capital Assets, Being Depreciated, Net	164,516	76,178	(17)	240,677
Capital Assets, Not Being Depreciated:				
Land	30,926	252	-	31,178
Construction in progress (CIP)	<u>6,798</u>	<u>-</u>	<u>-</u>	<u>6,798</u>
Total Capital Assets, Not Being Depreciated	<u>37,724</u>	<u>252</u>	<u>-</u>	<u>37,976</u>
Governmental Activities Capital Assets, Net	<u>\$ 202,240</u>	<u>\$ 76,430</u>	<u>\$ (17)</u>	<u>\$ 278,653</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital Assets, Being Depreciated:				
Buildings and improvements	\$ 1,104	\$ -	\$ -	\$ 1,104
Machinery, equipment, and furnishings	18,912	21	-	18,933
Infrastructure	<u>11,990</u>	<u>5,018</u>	<u>-</u>	<u>17,008</u>
Total Capital Assets, Being Depreciated	32,006	5,039	-	37,045
Less Accumulated Depreciation For:				
Buildings and improvements	(847)	(27)	-	(874)
Machinery, equipment, and furnishings	(15,683)	(536)	-	(16,219)
Infrastructure	<u>(1,674)</u>	<u>(418)</u>	<u>-</u>	<u>(2,092)</u>
Total Accumulated Depreciation	<u>(18,204)</u>	<u>(981)</u>	<u>-</u>	<u>(19,185)</u>
Capital Assets, Being Depreciated, Net	13,802	4,058	-	17,860
Capital Assets, Not Being Depreciated:				
Land	<u>1,958</u>	<u>-</u>	<u>-</u>	<u>1,958</u>
Total Capital Assets, Not Being Depreciated	<u>1,958</u>	<u>-</u>	<u>-</u>	<u>1,958</u>
Business-Type Activities Capital Assets, Net	<u>\$ 15,760</u>	<u>\$ 4,058</u>	<u>\$ -</u>	<u>\$ 19,818</u>

Depreciation expense was charged to functions of the Town as follows:

Governmental Activities	
General government	\$ 382
Public safety	1,278
Education	3,007
Public works	1,633
Health and human services	239
Culture and recreation	<u>141</u>
Total Governmental Activities	\$ <u>6,680</u>
Business-Type Activities	
Water	\$ <u>981</u>
Total Business-Type Activities	\$ <u>981</u>

10. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net assets by the Town that apply 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.

11. Unearned Revenue

Of the total \$1,402,099 in unearned revenue, \$964,599 represents grant funds received by the Town from the American Rescue Plan Act (ARPA). These funds will be used for COVID-19 related expenditures or negative economic impacts of COVID-19 over the next several years. \$437,500 represents funds received for the lease of the Wilber School whose annual lease payments do not commence until fiscal year 2030.

12. Long-Term Obligations

General Obligation Bonds and Loans

The Town issues general obligation bonds and loans and direct borrowing to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and direct borrowing have been issued for both governmental and business-type activities. General obligation bonds outstanding are as follows:

Governmental Activities

	Original	Serial	Interest	Amount
<u>General Obligation Bonds</u>	<u>Issue</u>	<u>Maturities</u>	<u>Rate(s) %</u>	<u>Outstanding</u>
		<u>Through</u>		<u>as of</u>
				<u>6/30/22</u>
Public offerings:				
General obligation	\$ 8,030,000	6/30/2026	3.00%	\$ 3,240,000
General obligation	2,838,000	5/1/2027	1.81%	680,000
General obligation	1,335,000	6/30/2027	3.00%	685,000
General obligation	8,855,000	6/30/2028	2.96%	6,750,000
General obligation	3,696,000	6/30/2032	2.19%	1,750,000
General obligation	7,509,500	10/15/2033	3.00%	2,830,000
General obligation	26,776,000	1/15/2035	3.00%	15,850,000
General obligation	4,172,300	2/15/2039	5.00%	3,215,000
General obligation	79,482,500	2/15/2040	5.00%	78,870,000
General obligation	2,711,500	2/15/2040	5.00%	2,315,000
General obligation	21,690,300	2/15/2041	5.00%	20,050,000
General obligation	2,595,000	2/15/2042	5.00%	<u>2,595,000</u>
Total public offerings				<u>138,830,000</u>
Total general obligation bonds				138,830,000
<u>Loans - Direct Borrowings</u>				
Street Light Upgrades	\$ 392,133	12/17/23	2.00%	<u>68,494</u>
Total loans - direct borrowings				<u>68,494</u>
Total Governmental Activities				<u>\$ 138,898,494</u>

(continued)

(continued)

Business-Type Activities

	Original <u>Issue</u>	Serial Maturities <u>Through</u>	Interest <u>Rate(s) %</u>	Amount Outstanding as of <u>6/30/22</u>
<u>General Obligation Bonds</u>				
Public offerings:				
Water improvements	\$ 820,000	5/1/2027	1.81%	\$ 270,000
General obligation	1,367,500	10/15/2034	3.00%	790,000
General obligation	26,776,000	1/15/2035	3.00%	370,000
General obligation	2,217,700	2/15/2039	5.00%	1,860,000
General obligation	4,246,000	2/15/2040	5.00%	3,800,000
General obligation	2,804,700	2/15/2041	5.00%	2,595,000
General obligation	1,540,000	2/15/2042	5.00%	<u>1,540,000</u>
Total public offerings				<u>11,225,000</u>
Total general obligation bonds				<u>11,225,000</u>
Total Business-Type Activities				<u>\$ 11,225,000</u>

Future Debt Service

The annual payments to retire all general obligation bonds and loans outstanding as of June 30, 2022 are as follows:

Governmental Activities	<u>Bonds - Public Offerings</u>		<u>Loans - Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 7,035,000	\$ 5,350,109	\$ 45,226	\$ 1,820
2024	8,020,000	5,028,491	23,268	258
2025	9,130,000	4,649,445	-	-
2026	9,960,000	4,209,209	-	-
2027	9,510,000	3,745,655	-	-
2028-2032	48,615,000	11,722,355	-	-
2033-2037	38,440,000	3,598,396	-	-
2038-2042	<u>8,120,000</u>	<u>348,666</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 138,830,000</u>	<u>\$ 38,652,326</u>	<u>\$ 68,494</u>	<u>\$ 2,078</u>

Business-Type

Activities	<u>Principal</u>	<u>Interest</u>
2023	\$ 825,000	\$ 430,282
2024	815,000	395,264
2025	815,000	358,357
2026	795,000	321,257
2027	785,000	284,684
2028-2032	3,510,000	907,376
2033-2037	2,390,000	333,539
2038-2042	<u>1,290,000</u>	<u>70,396</u>
Total	\$ <u>11,225,000</u>	\$ <u>3,101,155</u>

Changes in Long-Term Obligations

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion</u>
Governmental Activities						
Bonds payable:						
Public offerings	\$ 143,040	\$ 2,595	\$ (6,805)	\$ 138,830	\$ (7,035)	\$ 131,795
Loans payable (direct borrowings)	112	-	(44)	68	(45)	23
Unamortized premium	<u>13,747</u>	<u>388</u>	<u>(715)</u>	<u>13,420</u>	<u>(734)</u>	<u>12,686</u>
Subtotal	156,899	2,983	(7,564)	152,318	(7,814)	144,504
Compensated absences	3,371	-	(539)	2,832	(142)	2,690
Landfill liability	275	-	(25)	250	(25)	225
Net pension liability	30,029	-	(8,993)	21,036	-	21,036
Net OPEB liability	<u>66,148</u>	<u>10,509</u>	<u>-</u>	<u>76,657</u>	<u>-</u>	<u>76,657</u>
Totals	<u>\$ 256,722</u>	<u>\$ 13,492</u>	<u>\$ (17,121)</u>	<u>\$ 253,093</u>	<u>\$ (7,981)</u>	<u>\$ 245,112</u>
Business-Type Activities						
Bonds payable:						
Public offerings	\$ 10,405	\$ 1,540	\$ (720)	\$ 11,225	\$ (825)	\$ 10,400
Unamortized premium	<u>860</u>	<u>210</u>	<u>(44)</u>	<u>1,026</u>	<u>(55)</u>	<u>971</u>
Subtotal	11,265	1,750	(764)	12,251	(880)	11,371
Compensated absences	103	35	-	138	(7)	131
Net pension liability	260	-	(69)	191	-	191
Net OPEB liability	<u>572</u>	<u>124</u>	<u>-</u>	<u>696</u>	<u>-</u>	<u>696</u>
Totals	<u>\$ 12,200</u>	<u>\$ 1,909</u>	<u>\$ (833)</u>	<u>\$ 13,276</u>	<u>\$ (887)</u>	<u>\$ 12,389</u>

Long-Term Debt Supporting Governmental and Business-Type Activities

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

13. Landfill Closure and Postclosure Care Costs

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

The \$250,000 reported as landfill postclosure care liability at June 30, 2022 represents the remaining estimated postclosure maintenance costs. These amounts are based on what it would cost to perform all postclosure care at June 30, 2022. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

14. 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. Deferred inflows related to leases will be recognized as revenue over the lease term. *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.

15. Governmental Funds – Fund Balances

The Town’s fund balances at June 30, 2022 are comprised of the following:

	General Fund	High School Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Permanent funds	\$ -	\$ -	\$ 128,626	\$ 128,626
Total Nonspendable	-	-	128,626	128,626
Restricted				
Reserve for excluded debt	125,855	-	-	125,855
Special revenue funds	-	-	11,971,407	11,971,407
Capital project funds	-	19,087,476	9,278,843	28,366,319
Permanent funds	-	-	624,062	624,062
Total Restricted	125,855	19,087,476	21,874,312	41,087,643
Assigned				
General government	20,902	-	-	20,902
Public safety	2,617	-	-	2,617
Education	128,563	-	-	128,563
Public works	42,131	-	-	42,131
Health and human services	2,351	-	-	2,351
Culture and recreation	40,327	-	-	40,327
Total Assigned	236,891	-	-	236,891
Unassigned				
General Fund	9,469,425	-	-	9,469,425
General stabilization fund	1,002,490	-	-	1,002,490
Total Unassigned	10,471,915	-	-	10,471,915
Total Fund Balances	\$ 10,834,661	\$ 19,087,476	\$ 22,002,938	\$ 51,925,075

16. Restricted Net Position

The Town's restricted net position at June 30, 2022 is comprised of the following:

<u>Purpose</u>	<u>Governmental Activities</u>
Grants and other statutory restrictions	\$ 278,532
Education	4,372,508
Community Preservation	2,804,342
Ambulance	2,096,483
Town revolving programs	2,004,691
Gifts and donations	412,080
Endowment funds:	-
Nonexpendable	128,626
Expendable	624,062
Total	<u>\$ 12,721,324</u>

17. Norfolk Contributory 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 employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Norfolk Contributory Retirement System (the System), a cost-sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The System 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 614 High Street, Suite 201, Dedham, Massachusetts 02027-0310.

Participants' 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.

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.

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

Methods of Payment

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

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member’s death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree’s beneficiary or beneficiaries of choice.
- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member’s designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or “pops up” to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable “pops up” to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

Participant Refunds

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

Employer Contributions

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

The Town's contribution to the System for the year ended June 30, 2022 was \$4,934,782, 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 pension, and pension expense, information about the fiduciary net position of the System and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

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

At June 30, 2022, the Town reported a liability of \$21,227,345 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2021. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the Town's proportion was 5.7598%, which was a decrease of 0.17% from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the Town recognized pension expense of \$1,540,320. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 2,147,125	\$ -
Net difference between projected and actual earnings on pension plan investments	-	7,854,164
Changes in proportion and differences between contributions and proportionate share of contributions	<u>105,190</u>	<u>666,094</u>
Total	<u>\$ 2,252,315</u>	<u>\$ 8,520,258</u>

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

<u>Year Ended June 30:</u>	
2023	\$ (555,986)
2024	(2,548,056)
2025	(1,697,519)
2026	<u>(1,466,382)</u>
Total	\$ <u>(6,267,943)</u>

Actuarial Assumptions

The total pension liability in the latest actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	1/1/2022
Actuarial cost method	Entry Age
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	3.50% - 5.50%

It is assumed that both pre-retirement mortality and beneficiary mortality is represented by the RP-2014 Blue Collar Mortality with Scale MP-2014, fully generational. Mortality for retired members for Group 1 and 2 is represented by the RP-2014 Blue Collar Mortality Table set forward five years for males and 3 years for females, fully generational. Mortality for retired members for Group 4 is represented by the RP-2014 Blue Collar Mortality Table set forward three years for males, and six years for females, fully generational. Mortality for disabled members for Group 1 and 2 is represented by the RP-2000 Mortality Table set forward six years. Mortality for disabled members for Group 4 is represented by the RP-2000 Mortality Table set forward two years. Generational adjusting is based on Scale MP-2014.

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 expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	30.50%	7.00%
International equity	15.50%	7.70%
Fixed income	20.50%	4.30%
Real estate	9.50%	6.90%
Private equity	10.00%	9.40%
Hedge funds	11.50%	8.60%
Real assets	<u>2.50%</u>	8.90%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. 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 7.75%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

1% Decrease	Current Discount Rate	1% Increase
<u>(6.75%)</u>	<u>(7.75%)</u>	<u>(8.75%)</u>
\$ 32,002,737	\$ 21,227,345	\$ 12,069,948

Pension Plan Fiduciary Net Position

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

18. Massachusetts Teachers' Retirement System (MTRS)

Plan Description

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing, multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth of Massachusetts on behalf of municipal teachers and municipal teacher 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 of Massachusetts' 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) establish uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last 5 years or any 5 consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service and group classification. The authority for amending these provisions rests with the Legislature.

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

The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is

funded by employees who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

Contributions

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

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

In addition, members who join MTRS on or after April 2, 2012 will have their withholding rates reduced to 8% for those participating in retirement, otherwise the withholdings are reduced to 6% plus 2% on earnings over \$30,000 a year after achieving 30 years of creditable service.

Actuarial Assumptions

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

- (a) 7.00% (changed from 7.15%) investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase 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 from 2012 – 2020.
- 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, 2021 are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth 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):

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

Special Funding Situation

The Commonwealth of Massachusetts is a nonmember contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by Governmental Accounting Standards Board 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 2021 (the most recent measurement period), the Town’s proportionate share of the MTRS’ collective net pension liability was approximately \$94,562,732 based on a proportionate share of 0.416450%. As required by GASB 68, the Town has recognized its portion of the Commonwealth of Massachusetts’ contribution of \$7,281,553 as both a revenue and expenditure on the Statement of Revenues, Expenditures, and Changes in Fund Balance, and its portion of the collective pension expense of \$7,588,265 as both a revenue and expense on the Statement of Activities.

19. Other Post-Employment Benefits

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 2015, 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, 2022.

General Information about the OPEB Plan

Plan Description

The Town provides post-employment healthcare benefits for retired employees through the Town’s plan. The Town provides health insurance coverage through BlueCross BlueShield. 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 actuarially determined amounts.

Plan Membership

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

Inactive employees or beneficiaries	
currently receiving benefit payments	553
Active employees	<u>625</u>
Total	<u><u>1,178</u></u>

Investments

The OPEB trust fund assets consist of equity mutual funds and fixed income mutual funds.

Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was (6.96)%. 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, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3%, average, including inflation
Investment rate of return	6.16%, net of OPEB plan investment expense
Municipal bond rate	4.09%
Discount rate	6.05%
Healthcare cost trend rates	4.5% for 2022, fluctuating to an ultimate rate of 3.60% in 2061
Participation rate	80% of employees eligible to receive retirement benefits
Funding assumption	In year 2031, the Town will utilize funds (approximately \$4.7 million) that were previously utilized for funding the net pension liability to fund the net OPEB liability.

Mortality rates were based on RP-2014 mortality table projected generationally with scale MP-2016 for males and females.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study issued in 2014 and their most recent analysis of retiree mortality during 2015 and 2016.

Target Allocations

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity - large cap	46.50%	4.42%
Domestic equity - small/mid cap	5.75%	4.81%
International equity - developed market	5.50%	4.91%
International equity - emerging market	2.75%	5.58%
Domestic fixed income	19.50%	1.00%
International fixed income	3.50%	1.04%
Alternatives	10.25%	5.98%
Real estate	5.00%	6.25%
Cash and cash equivalents	<u>1.25%</u>	0.00%
Total	<u><u>100.00%</u></u>	

Contributions

In addition to the implicit subsidy contribution, 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 6.05%, decreasing from 6.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. As a result, a blended discount rate was used based on a combination of the investment rate of return of 6.16% and municipal bond rate of 4.09% (based on index provided by Standard and Poor's on 20-year municipal bond rate as of June 30, 2022).

Net OPEB Liability

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

Total OPEB liability	\$ 79,650,506
Plan fiduciary net position	<u>2,296,483</u>
Net OPEB liability	<u><u>\$ 77,354,023</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	2.88%

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

Changes in the Net OPEB Liability

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

	Increase (Decrease)		
	Total OPEB Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net OPEB Liability <u>(a) - (b)</u>
Balances, beginning of year	\$ 68,786,449	\$ 2,065,781	\$ 66,720,668
Changes for the year:			-
Service cost	1,546,645	-	1,546,645
Interest	4,693,490	-	4,693,490
Contributions - employer	-	2,026,388	(2,026,388)
Net investment income	-	(169,298)	169,298
Changes of benefit terms		-	-
Differences between expected and actual experience	-	-	-
Changes in assumptions	6,250,310		6,250,310
Changes in other inputs		-	-
Benefit payments	<u>(1,626,388)</u>	<u>(1,626,388)</u>	<u>-</u>
Net Changes	<u>10,864,057</u>	<u>230,702</u>	<u>10,633,355</u>
Balances, end of year	<u>\$ 79,650,506</u>	<u>\$ 2,296,483</u>	<u>\$ 77,354,023</u>

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

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

1% Decrease <u>(5.05%)</u>	Current Discount Rate <u>(6.05%)</u>	1% Increase <u>(7.05%)</u>
\$ 88,811,362	\$ 77,354,023	\$ 68,088,014

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:

1% Decrease <u>(3.50%)</u>	Current Healthcare Cost Trend Rates <u>(4.50%)</u>	1% Increase <u>(5.50%)</u>
\$ 67,029,280	\$ 77,354,023	\$ 90,209,492

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

For the year ended June 30, 2022, the Town recognized an OPEB expense of \$3,817,489. At June 30, 2022, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	\$ -	\$ 8,877,484
Change in assumptions	8,892,350	10,842,108
Net difference between projected and actual OPEB investment earnings	<u>80,090</u>	<u>-</u>
Total	<u>\$ 8,972,440</u>	<u>\$ 19,719,592</u>

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

<u>Year Ended June 30:</u>	
2023	\$ (2,270,031)
2024	(2,889,519)
2025	(3,383,955)
2026	(3,227,947)
2027	<u>1,024,300</u>
Total	<u>\$ (10,747,152)</u>

20. Self-Insurance

The Town self-insures against claims for most employee health coverage. Annual estimated requirements for claims are provided in the Town’s annual operating budget.

Health Insurance

The Town contracts with an insurance carrier for excess liability coverage and an insurance consultant for claims processing. Under the terms of its insurance coverage, the Town is liable for claims up to \$145,000 per individual. The claims liability represents an estimate of claims incurred but unpaid at year-end, based on past historical costs and claims paid subsequent to year-end.

Changes in the aggregate liability for claims for the year ended June 30, 2022 are as follows:

	<u>Health Coverage</u>
Claims liability, beginning of year	\$ 717,534
Claims incurred/recognized in fiscal year 2022	13,029,574
Claims paid in fiscal year 2022	<u>(13,028,617)</u>
Claims liability, end of year	<u>\$ 718,491</u>

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.

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 \$236,891 in encumbrances that will be honored in the next fiscal year.

22. Change in Accounting Principle

During fiscal year 2022, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. This statement redefines a lease as a the right to use another entity’s asset over a definitive period of time.

23. Beginning Net Position Restatement

The beginning (July 1, 2021) net position of the Town has been restated as follows:

Government-Wide Financial Statements:

	Governmental <u>Activities</u>
As previously reported	\$ 28,566,277
GASB 87 implementation	<u>(500,000)</u>
As restated	<u>\$ 28,066,277</u>

24. Subsequent Events

Management has evaluated subsequent events through January 10, 2023, which is the date the financial statements were available to be issued.

TOWN OF SHARON, MASSACHUSETTS

Required Supplementary Information
General Fund

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

(Unaudited)

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues				
Property taxes	\$ 77,816,372	\$ 77,816,372	\$ 77,662,089	\$ (154,283)
Excises	2,500,000	2,500,000	3,329,715	829,715
Penalties, interest, and other taxes	691,700	691,700	1,609,375	917,675
Charges for services	180,000	180,000	437,313	257,313
Intergovernmental	11,040,680	11,040,680	11,354,847	314,167
Licenses and permits	960,000	960,000	1,095,900	135,900
Fines and forfeitures	28,000	28,000	45,998	17,998
Investment income	750,000	750,000	419,458	(330,542)
Miscellaneous	12,000	12,000	29,915	17,915
Total Revenues	93,978,752	93,978,752	95,984,610	2,005,858
Expenditures				
General government	2,530,539	2,530,539	2,224,197	306,342
Public safety	7,911,375	7,911,375	7,880,015	31,360
Education	47,804,082	47,804,082	47,798,741	5,341
Public works	4,226,741	4,226,741	4,187,299	39,442
Health and human services	697,540	697,540	621,773	75,767
Culture and recreation	1,480,568	1,480,568	1,463,101	17,467
Employee benefits	16,510,617	16,510,617	16,438,234	72,383
Debt service	11,496,637	11,496,637	11,496,637	-
Intergovernmental	996,223	996,223	1,073,423	(77,200)
Total Expenditures	93,654,322	93,654,322	93,183,420	470,902
Excess of Revenues over Expenditures	324,430	324,430	2,801,190	2,476,760
Other Financing Sources (Uses)				
Transfers in	809,754	809,754	809,754	-
Transfers out	(1,817,415)	(1,817,415)	(1,667,410)	150,005
Use of free cash:				
Operating budget	300,000	300,000	300,000	-
Capital budget	400,000	400,000	400,000	-
Use of other fund balances	(16,769)	(16,769)	(16,769)	-
Total Other Financing Sources (Uses)	(324,430)	(324,430)	(174,425)	150,005
Overall Budgetary Excess	\$ -	\$ -	\$ 2,626,765	\$ 2,626,765

See Independent Auditor's Report and Notes to Required Supplementary Information.

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

Budgetary Basis

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

Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/(Uses)</u>
GAAP basis	\$ 103,255,468	\$ 100,379,712	\$ (857,656)
To record use of free cash	-	-	700,000
Reverse beginning of year appropriation carryforwards from expenditures	-	(250,891)	-
Add end-of-year appropriation carryforwards to expenditures	-	336,152	
To record use of debt reserves (fund balance)		-	25,293
To reverse the effect of non-budgeted State contributions for teachers retirement	(7,281,553)	(7,281,553)	-
Other adjustments	<u>10,695</u>	<u>-</u>	<u>(42,062)</u>
Budgetary basis	<u>\$ 95,984,610</u>	<u>\$ 93,183,420</u>	<u>\$ (174,425)</u>

TOWN OF SHARON, MASSACHUSETTS
 Required Supplementary Information
 Schedule of Proportionate Share of the Net Pension Liability

(Unaudited)

Norfolk County Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2022	December 31, 2021	5.759800%	\$21,227,345	\$ 19,258,509	110.22%	79.40%
June 30, 2021	December 31, 2020	5.930400%	\$30,289,789	\$ 19,340,777	156.61%	70.20%
June 30, 2020	December 31, 2019	5.920400%	\$34,759,460	\$ 18,686,741	186.01%	64.60%
June 30, 2019	December 31, 2018	8.105600%	\$38,233,635	\$ 18,408,802	207.69%	58.30%
June 30, 2018	December 31, 2017	5.861500%	\$32,414,349	\$ 17,786,282	182.24%	63.50%
June 30, 2017	December 31, 2016	5.985200%	\$31,244,098	\$ 17,142,063	182.27%	61.60%
June 30, 2016	December 31, 2015	5.985212%	\$32,512,437	\$ 16,355,566	198.79%	58.60%
June 30, 2015	December 31, 2014	6.404452%	\$33,215,101	\$ 16,148,680	205.68%	60.10%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town</u>	<u>Total Net Pension Liability Associated with the Town</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2022	June 30, 2021	0.416450%	\$ 94,562,732	\$ -	\$ 94,562,732	\$ 32,299,812	0.00%	62.03%
June 30, 2021	June 30, 2020	0.432738%	\$ 123,524,412	\$ -	\$ 123,524,412	\$ 32,787,550	0.00%	50.67%
June 30, 2020	June 30, 2019	0.419911%	\$ 105,876,389	\$ -	\$ 105,876,389	\$ 28,513,922	0.00%	55.43%
June 30, 2019	June 30, 2018	0.430032%	\$ 101,966,040	\$ -	\$ 101,966,040	\$ 30,200,571	0.00%	54.84%
June 30, 2018	June 30, 2017	0.411686%	\$ 94,215,921	\$ -	\$ 94,215,921	\$ 27,955,406	0.00%	54.25%
June 30, 2017	June 30, 2016	0.428057%	\$ 95,704,726	\$ -	\$ 95,704,726	\$ 28,156,113	0.00%	52.73%
June 30, 2016	June 30, 2015	0.415103%	\$ 85,053,177	\$ -	\$ 85,053,177	\$ 26,312,914	0.00%	55.38%
June 30, 2015	June 30, 2014	0.418239%	\$ 66,484,812	\$ -	\$ 66,484,812	\$ 25,644,299	0.00%	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 Auditor's Report.

TOWN OF SHARON, MASSACHUSETTS
 Required Supplementary Information
 Schedule of Pension Contributions

(Unaudited)

Norfolk County Retirement System

Fiscal Year	Measurement Date	Contributions in Relation to the			Covered Payroll	Contributions as a Percentage of Covered Payroll
		Actuarially Determined Contribution	Actuarially Determined Contribution	Contribution Deficiency (Excess)		
June 30, 2022	December 31, 2021	\$ 4,934,782	\$ 4,934,782	\$ -	\$ 17,360,757	28.42%
June 30, 2021	December 31, 2020	\$ 4,749,665	\$ 4,749,665	\$ -	\$ 19,340,777	24.56%
June 30, 2020	December 31, 2019	\$ 4,434,384	\$ 4,434,384	\$ -	\$ 18,686,741	23.73%
June 30, 2019	December 31, 2018	\$ 4,109,068	\$ 4,109,068	\$ -	\$ 18,408,802	22.32%
June 30, 2018	December 31, 2017	\$ 3,751,960	\$ 3,751,960	\$ -	\$ 17,786,282	21.09%
June 30, 2017	December 31, 2016	\$ 3,686,874	\$ 3,686,874	\$ -	\$ 17,142,063	21.51%
June 30, 2016	December 31, 2015	\$ 3,824,140	\$ 3,824,140	\$ -	\$ 16,355,566	23.38%
June 30, 2015	December 31, 2014	\$ 3,098,701	\$ 3,098,701	\$ -	\$ 16,148,680	19.19%

Massachusetts Teachers' Retirement System

Fiscal Year	Measurement Date	Contributions in Relation to the			Covered Payroll	Contributions as a Percentage of Covered Payroll
		Actuarially Determined Contribution Provided by Commonwealth	Actuarially Determined Contribution	Contribution Deficiency (Excess)		
June 30, 2022	June 30, 2021	\$ 7,281,553	\$ 7,281,553	\$ -	\$ 32,299,812	22.54%
June 30, 2021	June 30, 2020	\$ 6,722,296	\$ 6,722,296	\$ -	\$ 32,787,550	20.50%
June 30, 2020	June 30, 2019	\$ 6,062,294	\$ 6,062,294	\$ -	\$ 28,513,922	21.26%
June 30, 2019	June 30, 2018	\$ 5,653,983	\$ 5,653,983	\$ -	\$ 30,200,571	18.72%
June 30, 2018	June 30, 2017	\$ 5,086,441	\$ 5,086,441	\$ -	\$ 27,955,406	18.19%
June 30, 2017	June 30, 2016	\$ 4,813,859	\$ 4,813,859	\$ -	\$ 28,156,113	17.10%
June 30, 2016	June 30, 2015	\$ 4,242,065	\$ 4,242,065	\$ -	\$ 26,312,914	16.12%
June 30, 2015	June 30, 2014	\$ 3,920,489	\$ 3,920,489	\$ -	\$ 25,644,299	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 Auditor's Report.

TOWN OF SHARON, MASSACHUSETTS

Required Supplementary Information
Schedule of Changes in Net OPEB Liability

(Unaudited)

	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service cost	\$ 1,546,645	\$ 2,843,835	\$ 2,734,023	\$ 2,609,939	\$ 2,423,454	\$ 2,475,181
Interest	4,693,490	3,920,452	3,719,907	3,467,826	3,520,469	3,021,054
Differences between expected and actual experience	-	(10,177,549)	(42,634)	(7,875,438)	-	-
Changes of assumptions	6,250,310	(16,290,402)	-	13,929,578	(5,004,946)	-
Benefit payments, including refunds of member contributions	<u>(1,626,388)</u>	<u>(1,805,189)</u>	<u>(1,799,641)</u>	<u>(1,782,627)</u>	<u>(2,796,860)</u>	<u>(2,684,008)</u>
Net change in total OPEB liability	10,864,057	(21,508,853)	4,611,655	10,349,278	(1,857,883)	2,812,227
Total OPEB liability - beginning	<u>68,786,449</u>	<u>90,295,302</u>	<u>85,683,647</u>	<u>75,334,369</u>	<u>77,192,252</u>	<u>74,380,025</u>
Total OPEB liability - ending (a)	79,650,506	68,786,449	90,295,302	85,683,647	75,334,369	77,192,252
Plan Fiduciary Net Position						
Contributions - employer	2,026,388	2,155,189	2,149,641	2,082,627	2,996,860	2,834,008
Net investment income	(169,298)	419,339	27,425	65,783	27,436	14,623
Benefit payments, including refunds of member contributions	<u>(1,626,388)</u>	<u>(1,805,189)</u>	<u>(1,799,641)</u>	<u>(1,782,627)</u>	<u>(2,796,860)</u>	<u>(2,684,008)</u>
Net change in plan fiduciary net position	230,702	769,339	377,425	365,783	227,436	164,623
Plan fiduciary net position - beginning	<u>2,065,781</u>	<u>1,296,442</u>	<u>919,017</u>	<u>553,234</u>	<u>325,798</u>	<u>161,175</u>
Plan fiduciary net position - ending (b)	<u>2,296,483</u>	<u>2,065,781</u>	<u>1,296,442</u>	<u>919,017</u>	<u>553,234</u>	<u>325,798</u>
Net OPEB liability (asset) - ending (a-b)	<u>\$ 77,354,023</u>	<u>\$ 66,720,668</u>	<u>\$ 88,998,860</u>	<u>\$ 84,764,630</u>	<u>\$ 74,781,135</u>	<u>\$ 76,866,454</u>

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

See Independent Auditor's Report.

TOWN OF SHARON, MASSACHUSETTS

Required Supplementary Information
Schedules of Net OPEB Liability, Contributions, and Investment Returns

(Unaudited)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Net OPEB Liability						
Total OPEB liability	\$ 79,650,506	\$ 68,786,449	\$ 90,295,302	\$ 85,683,647	\$ 75,334,369	\$ 77,192,252
Plan fiduciary net position	<u>(2,296,483)</u>	<u>(2,065,781)</u>	<u>(1,296,442)</u>	<u>(919,017)</u>	<u>(553,234)</u>	<u>(325,798)</u>
Net OPEB liability (asset)	\$ <u>77,354,023</u>	\$ <u>66,720,668</u>	\$ <u>88,998,860</u>	\$ <u>84,764,630</u>	\$ <u>74,781,135</u>	\$ <u>76,866,454</u>
Plan fiduciary net position as a percentage of the total OPEB liability	2.88%	3.00%	1.44%	1.07%	0.73%	0.42%
Covered employee payroll	\$ 46,272,228	\$ 44,924,493	\$ 45,915,232	\$ 44,577,895	\$ 39,449,452	\$ 38,300,439
Net OPEB liability as a percentage of covered employee payroll	167%	149%	194%	190%	190%	201%
Schedule of Contributions						
Actuarially determined contribution	\$ 5,360,471	\$ 6,406,098	\$ 7,455,813	\$ 7,455,813	\$ 6,939,196	\$ 6,602,184
Contributions in relation to the actuarially determined contribution	<u>2,026,388</u>	<u>2,155,189</u>	<u>2,082,627</u>	<u>2,082,627</u>	<u>2,996,860</u>	<u>2,834,008</u>
Contribution deficiency (excess)	\$ <u>3,334,083</u>	\$ <u>4,250,909</u>	\$ <u>5,373,186</u>	\$ <u>5,373,186</u>	\$ <u>3,942,336</u>	\$ <u>3,768,176</u>
Covered employee payroll	\$ 46,272,228	\$ 44,924,493	\$ 45,915,232	\$ 44,577,895	\$ 39,449,452	\$ 38,300,439
Contributions as a percentage of covered employee payroll	7%	9%	12%	12%	10%	10%
Schedule of Investment Returns						
Annual money weighted rate of return, net of investment expense	-6.96%	27.58%	2.21%	7.95%	6.47%	6.51%

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

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

See Independent Auditor's Report.