

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

**TOWN OF LINCOLN, MASSACHUSETTS**

Report on Examination of the Basic Financial Statements and  
Additional Information

Year Ended June 30, 2023



**TOWN OF LINCOLN, MASSACHUSETTS**

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**YEAR ENDED JUNE 30, 2023**

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## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinions**

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Town as of June 30, 2023, and the respective changes in financial position and 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 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

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

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards 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 the management's discussion and analysis, and the schedules listed under the required supplementary information section in the accompanying table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers 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 February 12, 2024 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract, 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.

*Roselli Clark & Associates*

Roselli, Clark & Associates  
Certified Public Accountants  
Woburn, Massachusetts  
February 12, 2024

## Management's Discussion and Analysis

As the management of the Town of Lincoln, Massachusetts (The Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information found in this report.

### **Financial Highlights**

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by over \$73.9 million (*total net position*). Nearly \$64.4 million represented net position of the governmental and the net position of the business-type activities was nearly \$9.6 million.
- The government's total net position increased by approximately \$6.4 million. The governmental activities increased net position by over \$5.9 million while the business-type activities increased net position by over \$0.5 million.
- The Town's unassigned fund balance reported in the General Fund was over \$14.8 million. Total fund balance in the General Fund was approximately \$22.9 million. The Town reported a restricted fund balance of over \$10.6 million in the Hanscom School Fund, a restricted fund balance of over \$1.2 million in the School Building Capital Project Fund and reported total fund balances of over \$9.4 million in the combined Nonmajor Governmental Funds.
- The Town's debt decreased over \$2.4 million due to regularly scheduled maturities of \$1.9 million and \$0.5 million respectively in the governmental and business-type activities.

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

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

**Government-wide Financial Statements** - The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. The *statement of position* presents information on all of the Town's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the two reported net as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

The government-wide financial statements consist of two classifications; (1) those whose activities are principally supported by taxes and intergovernmental revenue (*governmental activities*), and (2) those whose activities are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

The governmental activities of the Town include general government, public safety, highways and streets, sanitation, education, health and human services, culture and recreation, fringe benefits, and debt service. The business-type activities of the Town consist of water utility activities.

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

Governmental funds distinguish fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications:

- Nonspendable —amounts cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact
- Restricted—amounts constrained by external parties, constitutional provision, or enabling legislation
- Committed—amounts constrained by a government using its highest level of decision-making authority
- Assigned—amounts a government intends to use for a particular purpose
- Unassigned—amounts that are not constrained at all will be reported in the general fund.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliations are provided in the financial statements to help the reader understand the differences, as indicated with the table of contents.

The Town maintains a number of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, ARPA fund, Hanscom school fund and school building capital project fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The Town adopts an annual appropriated budget for its general fund and its enterprise fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. This schedule has been prepared as required supplementary information and can be found after the notes to the financial statements.

**Proprietary Funds** – Proprietary funds are used to account for a government's ongoing organizations and activities which are similar to those often found in the private sector. The Town utilizes the proprietary funds to report activities of its enterprise funds. *Enterprise funds* are used to report the same functions

presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its water utility activities.

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

**Other Information** - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which includes the schedules of the Town’s proportionate share of the net pension liability, contributions to the pension plan, the funding progress and contribution funding of its obligation to provide other postemployment benefits to its employees as well as the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund and notes to this schedule.

**Government-wide Financial Analysis**

The condensed statement of net position is as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	June 30,		June 30,		June 30,	
	2023	2022	2023	2022	2023	2022
<b><u>Assets</u></b>						
Current and other assets	\$ 49,895,571	\$ 55,091,742	\$ 3,538,571	\$ 3,459,939	\$ 53,434,142	\$ 58,551,681
Capital assets, net	158,001,225	151,556,389	8,328,879	8,366,260	166,330,104	159,922,649
<b>Total Assets</b>	<b>207,896,796</b>	<b>206,648,131</b>	<b>11,867,450</b>	<b>11,826,199</b>	<b>219,764,246</b>	<b>218,474,330</b>
<b>Deferred outflows of resources</b>	<b>13,036,027</b>	<b>12,110,040</b>	<b>31,265</b>	<b>36,986</b>	<b>13,067,292</b>	<b>12,147,026</b>
<b><u>Liabilities</u></b>						
Long-term liabilities	147,524,193	141,258,739	1,858,961	2,384,622	149,383,154	143,643,361
Other liabilities	5,512,438	10,267,255	472,780	423,917	5,985,218	10,691,172
<b>Total Liabilities</b>	<b>153,036,631</b>	<b>151,525,994</b>	<b>2,331,741</b>	<b>2,808,539</b>	<b>155,368,372</b>	<b>154,334,533</b>
<b>Deferred inflows of resources</b>	<b>3,532,965</b>	<b>8,789,874</b>	<b>13,099</b>	<b>16,824</b>	<b>3,546,064</b>	<b>8,806,698</b>
<b><u>Net Position</u></b>						
Net investment in capital assets	72,775,221	69,232,797	6,748,512	6,764,713	79,523,733	75,997,510
Restricted	20,800,569	18,598,108	-	-	20,800,569	18,598,108
Unrestricted	(29,212,563)	(29,388,602)	2,805,363	2,273,109	(26,407,200)	(27,115,493)
<b>Net Position</b>	<b>\$ 64,363,227</b>	<b>\$ 58,442,303</b>	<b>\$ 9,553,875</b>	<b>\$ 9,037,822</b>	<b>\$ 73,917,102</b>	<b>\$ 67,480,125</b>

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by over \$73.9 million (*total net position*). This was an increase of \$6.4 million over the preceding year. This was primarily the result of positive results in the general fund of over \$5.9 million, in the governmental activities and positive water business-type operations of over \$0.5 million.

By far the largest portion (approximately \$80 million) of the Town’s net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town’s investment in its capital assets is reported net of related debt, 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 the Town’s net position (approximately \$20.8 million) represents resources that are subject to external restrictions on how they may be used. *Unrestricted net position* reflects the remainder of net position, a deficit of approximately \$26.4 million. This is due to the recognition of the other postemployment benefits liability and net pension liabilities which in aggregate are \$60.7 million.

The condensed statement of changes in net position is as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	June 30,		June 30,		June 30,	
	2023	2022	2023	2022	2023	2022
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 3,997,819	\$ 4,494,812	\$ 2,012,394	\$ 1,939,745	\$ 6,010,213	\$ 6,434,557
Operating grants and contributions	27,460,262	26,103,776	-	-	27,460,262	26,103,776
Capital grants and contributions	1,139,864	185,609	-	-	1,139,864	185,609
General revenues:						
Property taxes	37,705,221	36,550,876	-	-	37,705,221	36,550,876
Intergovernmental	1,348,294	1,194,628	38,270	-	1,386,564	1,194,628
Other	1,862,482	843,971	57,500	4,400	1,919,982	848,371
<b>Total Revenues</b>	<b>73,513,942</b>	<b>69,373,672</b>	<b>2,108,164</b>	<b>1,944,145</b>	<b>75,622,106</b>	<b>71,317,817</b>
<b>Expenses</b>						
General government	6,066,325	4,372,795	-	-	6,066,325	4,372,795
Public safety	7,861,580	7,168,495	-	-	7,861,580	7,168,495
Education	43,539,562	41,407,320	-	-	43,539,562	41,407,320
Public works	3,579,513	3,690,626	-	-	3,579,513	3,690,626
Health and human services	902,209	826,027	-	-	902,209	826,027
Culture and recreation	2,794,861	2,851,221	-	-	2,794,861	2,851,221
Debt service	2,908,968	2,776,343	-	-	2,908,968	2,776,343
Water	-	-	1,532,111	1,425,001	1,532,111	1,425,001
<b>Total Expenses</b>	<b>67,653,018</b>	<b>63,092,827</b>	<b>1,532,111</b>	<b>1,425,001</b>	<b>69,185,129</b>	<b>64,517,828</b>
Excess (deficiency) in net position before transfers	5,860,924	6,280,845	576,053	519,144	6,436,977	6,799,989
<b>Transfers</b>	<b>60,000</b>	<b>60,000</b>	<b>(60,000)</b>	<b>(60,000)</b>	<b>-</b>	<b>-</b>
Change in net position	5,920,924	6,340,845	516,053	459,144	6,436,977	6,799,989
Net position, beginning of year	58,442,303	52,101,458	9,037,822	8,578,678	67,480,125	60,680,136
<b>Net position, end of year</b>	<b>\$ 64,363,227</b>	<b>\$ 58,442,303</b>	<b>\$ 9,553,875</b>	<b>\$ 9,037,822</b>	<b>\$ 73,917,102</b>	<b>\$ 67,480,125</b>

**Governmental Activities** - The Town relies significantly on property taxes, which, during 2023, made up approximately 51.3% of total revenues. Actual revenues increased by 3.2% as expected based on property tax laws in Massachusetts. Operating grants and contributions made up approximately 37.4% of total revenues. The increase over the prior year of \$1.4 million is primarily related to an increase in the actuarially determined on-behalf payment made by the Commonwealth of Massachusetts to the Massachusetts Teachers Retirement System (MTRS).

No other revenues were greater than 10% of total revenues in 2023 or 2022.

Major expenditures were for education which continues to be an area that the Town devotes significant resources. Education represented 64.4% of total expenses. The increase in amount over the prior year is primarily due to the increase in the on-behalf payment made by the Commonwealth for MTRS discussed under revenues. Public safety expenses represented 11.6% of total expenses, which was consistent with the 11.4% of the prior year.

No other expense types were greater than 10% of total expenses in 2023 or 2022.

**Business-type Activities** - Major revenue sources consist of revenue from user charges, which represented approximately 95.5% of total fiscal year 2023 and 99.8% of total 2022 revenues. Water revenues were more than the prior year due to seasonal activity, while water expenses were consistent with the prior year.

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

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of over \$44.2 million. This represents a decrease of nearly \$0.8 million over the previous year. The School Building Capital Projects major fund decreased nearly \$5.5 million which was offset by positive results in the general fund, Hanscom school fund and nonmajor governmental funds of \$2.6 million, \$1.5 million and \$0.6 million, respectively. Of the ending fund balance approximately \$14.6 million is *available for spending* at the government's discretion as *unassigned fund balance*. The remainder is earmarked for specific expenditures.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was approximately \$14.8 million, while total fund balance totaled over \$22.9 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 32.0% of total general fund expenditures, while total fund balance represents approximately 49.5% of that same amount.

The Hanscom School fund is used as a funding source for the education of students from military families. The balance of this fund increased over \$1.5 million as revenues exceeded expenditures.

The School Building Capital Project fund was used as a funding source for the construction of a new school building. As a result, this fund decreased by approximately \$5.5 million to a fund balance of approximately \$1.2 million due to capital outlays.

The combined Nonmajor funds increased from prior year by approximately \$0.6 million. Fund balances at year end were approximately \$9.4 million. The increase was due mainly to an increase in the Community Preservation Fund as revenues outpaced expenditures in the fund.

**Proprietary Funds** - The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At June 30, 2023, net position of the water enterprise fund was approximately \$9.6 million, which represents an increase of approximately \$0.5million from the prior year due to positive operating results.

## **General Fund Budgetary Highlights**

The Town's original budget was amended by votes of the subsequent Town Meeting that did not materially impact the final budget. The schedule of budgetary information, which summarizes these changes, is provided as *Required Supplementary Information*.

## **Capital Asset and Debt Administration**

**Capital Assets** - The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2023, amounts to approximately \$166.3 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure, machinery, equipment and vehicles and reflects an increase of approximately \$6.4 million due to capital additions exceeding annual depreciation. The majority of the Town's capital expenditures are for the construction of a new school which is presented in the School Building Capital Projects major fund. The Town is also funding various community preservation, water infrastructure and other projects.

Additional information on the Town capital assets can be found Note II. Subsection D of this report.

**Long-term Debt** - At the end of the current fiscal year, the Town had total bonded debt outstanding of approximately \$84.7 million. Of this amount over \$83.1 million represents debt of the governmental activities and nearly \$1.6 million represents general obligation bonds of business-type activities.

The Town's debt decreased over \$2.4 million due to regularly scheduled maturities of \$1.9 million and \$0.5 million respectively in the governmental and business-type activities.

The Town maintains a bond rating of "AAA" as set by Standard and Poor's for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5.0% percent of its total assessed valuation. The current debt limitation for the Town is approximately \$124 million, which is in excess of the Town's outstanding general obligation debt.

The Town also holds a proportionate share of debt of other governmental units that provide services to the Town. The debt service from such arrangements is assessed annually to the Town.

Additional information on the Town's debt can be found in Notes II. Subsection F, G and H of this report.

## **Economic Factors and Next Year's Budgets and Rates**

- The Town's real estate tax base is made up predominantly of residential taxes, which comprise over 97% of the Town's real estate tax base. The Town also relies to a much lesser extent on its commercial and industrial real estate tax base, which in aggregate comprise over 2% of the Town's real estate tax base. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town's ability to increase taxes in any one year by more than two and one-half percent (2 ½%) of the previous year tax levy. This limit may be exceeded through a majority vote at Select Board along with ballot approval.
- The Town's housing market has been very strong for the past several years. This has been bolstered by mortgage rates at historic lows. Current actions by the Federal Open Market Committee to soften the economy due to inflation have caused mortgage rates to spike during fiscal year 2024. Such trends may have an adverse effect on the housing market, and the Town is monitoring this.

- Inflation is peaking near 40-year historic highs. This is having adverse impacts on the Town. Wage inflation cannot guarantee that the Town will be able to maintain employees without increasing wages. Energy inflation is causing a spike in energy costs. Price inflation is causing a spike in the price of the delivery and cost of goods and services. The construction building index is nearing historic highs which may cause the estimates of major capital projects to increase, in addition to the financing costs of these projects. The Town continues to monitor this situation.
- The Town anticipates receiving approximately the same amount of state aid for 2024 as in the previous fiscal year based on state budget estimates.

The above items were considered when the Town developed its budget for fiscal year 2024.

### **Requests for Information**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Finance Department, PO Box 6353, 16 Lincoln Road, Lincoln, Massachusetts 01773.

**TOWN OF LINCOLN, MASSACHUSETTS**

**STATEMENT OF NET POSITION**

**JUNE 30, 2023**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 46,548,338	\$ 2,930,787	\$ 49,479,125
Investments	1,766,914	-	1,766,914
Receivables (net):			
Property taxes	462,023	-	462,023
Excise taxes	159,200	-	159,200
User fees	-	607,784	607,784
Departmental and other	545,494	-	545,494
Intergovernmental	357,452	-	357,452
Tax foreclosures	56,150	-	56,150
Capital assets, not being depreciated	136,457,687	4,919,374	141,377,061
Capital assets, net of accumulated depreciation	<u>21,543,538</u>	<u>3,409,505</u>	<u>24,953,043</u>
<b>Total Assets</b>	<u>207,896,796</u>	<u>11,867,450</u>	<u>219,764,246</u>
<b>Deferred Outflows of Resources</b>			
Related to net other postemployment benefits liability	8,125,479	31,265	8,156,744
Related to net pension liability	4,910,548	-	4,910,548
<b>Total Deferred Outflows of Resources</b>	<u>13,036,027</u>	<u>31,265</u>	<u>13,067,292</u>
<b>Liabilities</b>			
Warrants and accounts payable	404,460	17,720	422,180
Accrued payroll and withholdings	2,231,732	25,060	2,256,792
Retainage payable	171,408	-	171,408
Accrued interest expense	960,387	-	960,387
Unearned revenue	1,584,661	-	1,584,661
Other liabilities	159,790	-	159,790
Bond anticipation notes payable	-	430,000	430,000
Long-term liabilities:			
Due within one year	2,417,819	257,805	2,675,624
Due in more than one year	145,106,374	1,601,156	146,707,530
<b>Total Liabilities</b>	<u>153,036,631</u>	<u>2,331,741</u>	<u>155,368,372</u>
<b>Deferred Inflows of Resources</b>			
Related to net other postemployment benefits liability	3,404,269	13,099	3,417,368
Related to net pension liability	128,696	-	128,696
<b>Total Deferred Inflows of Resources</b>	<u>3,532,965</u>	<u>13,099</u>	<u>3,546,064</u>
<b>Net Position</b>			
Net investment in capital assets	72,775,221	6,748,512	79,523,733
Restricted:			
Nonexpendable permanent funds	740,295	-	740,295
Expendable permanent funds	1,016,576	-	1,016,576
Community preservation	3,163,116	-	3,163,116
Hanscom School	10,644,112	-	10,644,112
Other purposes	5,236,470	-	5,236,470
Unrestricted	(29,212,563)	2,805,363	(26,407,200)
<b>Total Net Position</b>	<u>\$ 64,363,227</u>	<u>\$ 9,553,875</u>	<u>\$ 73,917,102</u>

See accompanying notes to basic financial statements.

TOWN OF LINCOLN, MASSACHUSETTS

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>							
<i>Governmental Activities</i>							
General government	\$ 6,066,325	\$ 935,017	\$ 387,959	\$ 264,476	\$ (4,478,873)		\$ (4,478,873)
Public safety	7,861,580	1,256,354	163,249	14,290	(6,427,687)		(6,427,687)
Education	43,539,562	596,831	26,568,519	-	(16,374,212)		(16,374,212)
Public works	3,579,513	94,013	60,178	379,768	(3,045,554)		(3,045,554)
Health and human services	902,209	63,266	165,246	-	(673,697)		(673,697)
Culture and recreation	2,794,861	1,052,338	115,111	481,330	(1,146,082)		(1,146,082)
Debt service	2,908,968	-	-	-	(2,908,968)		(2,908,968)
Total Governmental Activities	67,653,018	3,997,819	27,460,262	1,139,864	(35,055,073)		(35,055,073)
<i>Business-Type Activities:</i>							
Water	1,532,111	2,012,394	-	-		\$ 480,283	480,283
Total Business-Type Activities	1,532,111	2,012,394	-	-		480,283	480,283
Total Primary Government	\$ 69,185,129	\$ 6,010,213	\$ 27,460,262	\$ 1,139,864	(35,055,073)	480,283	(34,574,790)
<b>General Revenues:</b>							
					37,705,221	-	37,705,221
					1,138,711	-	1,138,711
					72,367	-	72,367
					1,348,294	38,270	1,386,564
					651,404	57,500	708,904
					60,000	(60,000)	-
					40,975,997	35,770	41,011,767
					5,920,924	516,053	6,436,977
<b>Net Position:</b>							
					58,442,303	9,037,822	67,480,125
					\$ 64,363,227	\$ 9,553,875	\$ 73,917,102

See accompanying notes to basic financial statements.

TOWN OF LINCOLN, MASSACHUSETTS

GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2023

	General Fund	ARPA Grant	Hanscom School Fund	School Building Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>						
Cash and cash equivalents	\$ 24,592,139	\$ 1,584,661	\$ 11,487,960	\$ 1,414,240	\$ 7,469,338	\$ 46,548,338
Investments	-	-	-	-	1,766,914	1,766,914
Receivables, net of allowance for uncollectibles:						
Property taxes	449,297	-	-	-	12,726	462,023
Excise taxes	159,200	-	-	-	-	159,200
Departmental and other	412,339	-	-	-	133,155	545,494
Intergovernmental	-	-	-	-	357,452	357,452
Tax foreclosures	56,150	-	-	-	-	56,150
<b>Total Assets</b>	<u>25,669,125</u>	<u>1,584,661</u>	<u>11,487,960</u>	<u>1,414,240</u>	<u>9,739,585</u>	<u>49,895,571</u>
<b>Deferred Outflows of Resources</b>						
	-	-	-	-	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 25,669,125</u>	<u>\$ 1,584,661</u>	<u>\$ 11,487,960</u>	<u>\$ 1,414,240</u>	<u>\$ 9,739,585</u>	<u>\$ 49,895,571</u>
<b>Liabilities:</b>						
Warrants and accounts payable	\$ 212,873	\$ -	\$ 67,536	\$ 3,840	\$ 120,211	\$ 404,460
Accrued payroll and withholdings	1,399,574	-	776,312	-	55,846	2,231,732
Retainage payable	-	-	-	171,408	-	171,408
Other liabilities	159,717	-	-	-	73	159,790
Unearned revenues	-	1,584,661	-	-	-	1,584,661
<b>Total Liabilities</b>	<u>1,772,164</u>	<u>1,584,661</u>	<u>843,848</u>	<u>175,248</u>	<u>176,130</u>	<u>4,552,051</u>
<b>Deferred Inflows of Resources:</b>						
Unavailable revenues - property taxes	339,343	-	-	-	12,726	352,069
Unavailable revenues - excise taxes	159,200	-	-	-	-	159,200
Unavailable revenues - other	468,489	-	-	-	133,155	601,644
<b>Total Deferred Inflows of Resources</b>	<u>967,032</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>145,881</u>	<u>1,112,913</u>
<b>Fund Balances:</b>						
Nonspendable	-	-	-	-	740,295	740,295
Restricted	-	-	10,644,112	1,238,992	8,873,199	20,756,303
Committed	1,222,776	-	-	-	-	1,222,776
Assigned	6,861,313	-	-	-	-	6,861,313
Unassigned	14,845,840	-	-	-	(195,920)	14,649,920
<b>Total Fund Balances</b>	<u>22,929,929</u>	<u>-</u>	<u>10,644,112</u>	<u>1,238,992</u>	<u>9,417,574</u>	<u>44,230,607</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<u>\$ 25,669,125</u>	<u>\$ 1,584,661</u>	<u>\$ 11,487,960</u>	<u>\$ 1,414,240</u>	<u>\$ 9,739,585</u>	<u>\$ 49,895,571</u>

See accompanying notes to basic financial statements.

**TOWN OF LINCOLN, MASSACHUSETTS**

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

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<b>Total Governmental Fund Balances</b>	<b>\$ 44,230,607</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	158,001,225
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.	1,112,913
Deferred outflows and inflows of resources to be recognized in future fiscal years are not available resources and, therefore, are not reported in the funds:	
Deferred outflows related to other postemployment benefits	8,125,479
Deferred outflows related to pensions	4,910,548
Deferred inflows related to other postemployment benefits	(3,404,269)
Deferred inflows related to pensions	(128,696)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the government funds:	
Bonds and notes payable	(83,105,000)
Less: Unamortized bond premiums	(3,374,134)
Compensated absences	(419,441)
Net pension liability	(32,224,079)
Net other postemployment benefits liability	<u>(28,401,539)</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 64,363,227</u></b>

See accompanying notes to basic financial statements.

TOWN OF LINCOLN, MASSACHUSETTS

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

	General Fund	ARPA Grant	Hanscom School Fund	School Building Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Real estate and personal property taxes, net	\$ 36,542,338	\$ -	\$ -	\$ -	\$ 980,325	\$ 37,522,663
Intergovernmental	8,592,396	377,224	17,302,166	-	3,177,965	29,449,751
Motor vehicle and other excises	1,112,654	-	-	-	-	1,112,654
Departmental and other revenue	1,621,053	-	-	-	1,933,789	3,554,842
Licenses and permits	374,385	-	-	-	-	374,385
Penalties and interest on taxes	72,367	-	-	-	-	72,367
Fines and forfeitures	59,087	-	-	-	-	59,087
Investment income (loss)	387,926	-	-	-	263,478	651,404
Contributions and donations	-	-	-	-	498,669	498,669
<b>Total Revenues</b>	<b>48,762,206</b>	<b>377,224</b>	<b>17,302,166</b>	<b>-</b>	<b>6,854,226</b>	<b>73,295,822</b>
<b>Expenditures:</b>						
Current:						
General government	3,239,375	87,519	-	-	1,135,854	4,462,748
Public safety	5,064,608	-	-	-	607,111	5,671,719
Education	16,686,280	195,158	15,719,525	5,529,067	2,825,518	40,955,548
Public works	2,219,250	52,245	-	-	222,416	2,493,911
Health and human services	499,673	42,302	-	-	127,197	669,172
Culture and recreation	1,917,569	-	-	-	765,698	2,683,267
Pensions and other fringes	11,797,641	-	-	-	-	11,797,641
State and county tax assessments	170,667	-	-	-	-	170,667
Debt service:						
Principal	1,640,000	-	-	-	295,000	1,935,000
Interest	3,095,813	-	-	-	121,210	3,217,023
<b>Total Expenditures</b>	<b>46,330,876</b>	<b>377,224</b>	<b>15,719,525</b>	<b>5,529,067</b>	<b>6,100,004</b>	<b>74,056,696</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>2,431,330</b>	<b>-</b>	<b>1,582,641</b>	<b>(5,529,067)</b>	<b>754,222</b>	<b>(760,874)</b>
<b>Other Financing Sources (Uses):</b>						
Transfers in	170,077	-	616	75,000	-	245,693
Transfers out	-	-	(71,000)	-	(114,693)	(185,693)
<b>Total Other Financing Sources (Uses)</b>	<b>170,077</b>	<b>-</b>	<b>(70,384)</b>	<b>75,000</b>	<b>(114,693)</b>	<b>60,000</b>
<b>Net Change in Fund Balances</b>	<b>2,601,407</b>	<b>-</b>	<b>1,512,257</b>	<b>(5,454,067)</b>	<b>639,529</b>	<b>(700,874)</b>
Fund Balances - Beginning	20,328,522	-	9,131,855	6,693,059	8,778,045	44,931,481
Fund Balances - Ending	\$ 22,929,929	\$ -	\$ 10,644,112	\$ 1,238,992	\$ 9,417,574	\$ 44,230,607

See accompanying notes to basic financial statements.

TOWN OF LINCOLN, MASSACHUSETTS

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

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**Net Change in Fund Balances - Total Governmental Fund Balances** **\$ (700,874)**

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. The net amounts are reflected here as reconciling items:

Capital outlays	8,099,873	
Depreciation expense	<u>(1,655,037)</u>	
Net effect of reporting capital assets		6,444,836

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 has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the Statement of Activities. The net amounts are reflected here as reconciling items:

Repayments of debt	1,935,000	
Amortization of premiums from issuance of bonds and notes	<u>266,655</u>	
Net effect of reporting long-term debt		2,201,655

Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenues for various types of accounts receivable differ between the two statements. The amount presented represents the following differences derived from unavailable revenue.

218,120

In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. This represents the difference between the accruals between this year and the prior year.

41,400

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:

Compensated absences	83,645	
Pension benefits	(1,006,670)	
Other postemployment benefits	<u>(1,361,188)</u>	
Net effect of reporting long-term liabilities		<u>(2,284,213)</u>

**Change in Net Position of Governmental Activities** **\$ 5,920,924**

See accompanying notes to basic financial statements.

**TOWN OF LINCOLN, MASSACHUSETTS**

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

	Business-type Activities Enterprise Funds
	Water
<b>Assets:</b>	
Current Assets:	
Cash and cash equivalents	\$ 2,930,787
Receivables, net of allowance for uncollectibles:	
User charges	607,784
Intergovernmental	-
Other	-
<b>Total Current Assets</b>	<b>3,538,571</b>
Noncurrent assets:	
Capital assets, not being depreciated	4,919,374
Capital assets, net of accumulated depreciation	3,409,505
<b>Total Noncurrent Assets</b>	<b>8,328,879</b>
<b>Total Assets</b>	<b>11,867,450</b>
<b>Deferred Outflows of Resources:</b>	
Related to net other postemployment benefits liability	31,265
<b>Total Deferred Outflows of Resources</b>	<b>31,265</b>
<b>Liabilities:</b>	
Current Liabilities:	
Warrants and accounts payable	17,720
Accrued payroll and withholdings	25,060
Bond anticipation notes payable	430,000
Bonds and notes payable	251,935
Compensated absences	5,870
<b>Total Current Liabilities</b>	<b>730,585</b>
Noncurrent Liabilities:	
Bonds and notes payable	1,474,264
Compensated absences	17,609
Net other postemployment benefits liability	109,283
<b>Total Noncurrent Liabilities</b>	<b>1,601,156</b>
<b>Total Liabilities</b>	<b>2,331,741</b>
<b>Deferred Inflows of Resources:</b>	
Related to net other postemployment benefits liability	13,099
<b>Total Deferred Inflows of Resources</b>	<b>13,099</b>
<b>Net Position:</b>	
Net investment in capital assets	6,748,512
Unrestricted	2,805,363
<b>Total Net Position</b>	<b>\$ 9,553,875</b>

See accompanying notes to basic financial statements.

**TOWN OF LINCOLN, MASSACHUSETTS**

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

	Business-type Activities Enterprise Funds
	Water
<b>Operating Revenues:</b>	
Charges for services	\$ 1,976,106
Other operating income	36,288
	2,012,394
<b>Operating Expenses:</b>	
Operating costs	1,356,971
Depreciation	154,941
	1,511,912
<b>Operating Income (Loss)</b>	<b>500,482</b>
<b>Nonoperating Revenues (Expenses):</b>	
Intergovernmental	38,270
Interest income	57,500
Interest expense	(20,199)
	75,571
<b>Income (Loss) Before Transfers</b>	<b>576,053</b>
Transfers out	(60,000)
<b>Change in Net Position</b>	<b>516,053</b>
Net Position - Beginning, as restated (see Note IV)	9,037,822
Net Position - Ending	<b>\$ 9,553,875</b>

See accompanying notes to basic financial statements.

TOWN OF LINCOLN, MASSACHUSETTS

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

	Business-type Activities Enterprise Funds
	Water
<b>Cash Flows from Operating Activities:</b>	
Receipts from users	\$ 1,996,419
Other receipts	36,288
Payments to employees	(618,422)
Payments to vendors	(773,650)
	640,635
Net Cash Provided by (Used For) Operating Activities	640,635
<b>Cash Flows from Noncapital Related Financing Activities:</b>	
Transfers out	(60,000)
	(60,000)
Net Cash Provided by (Used For) Noncapital Related Financing Activities	(60,000)
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Acquisition and construction of capital assets	(117,561)
Principal payments on bonds and notes	(470,000)
Proceeds from bond anticipation notes	430,000
Payments on bond anticipation notes	(350,000)
Intergovernmental grants	38,270
Interest expense	(69,899)
	(539,190)
Net Cash (Used For) Capital and Related Financing Activities	(539,190)
<b>Cash Flows from Investing Activities:</b>	
Investment income	57,500
	57,500
Net Cash Provided by Investing Activities	57,500
<b>Net Change in Cash and Cash Equivalents</b>	98,945
<b>Cash and Cash Equivalents:</b>	
Beginning of year	2,831,842
	2,831,842
End of year	\$ 2,930,787
<b>Reconciliation of Operating Income to Net Cash Provided By (Used For) for Operating Activities:</b>	
Operating income (loss)	\$ 500,482
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	154,941
Changes in assets and liabilities:	
Receivables	20,313
Deferred outflows	5,721
Accounts payable and accrued expenses	(31,137)
Compensated absences	(9,202)
Net other postemployment benefits liability	3,242
Deferred inflows	(3,725)
	(60,855)
<b>Net Cash Provided By (Used For) Operating Activities</b>	\$ 640,635
<b>Noncash Investing, Capital, and Financing Activities:</b>	
Amortization of bond premium	\$ 49,701

See accompanying notes to basic financial statements.

**TOWN OF LINCOLN, MASSACHUSETTS**

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

	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds
<b>Assets:</b>		
Cash and cash equivalents	\$ 400,000	\$ -
Investments:		
Pooled investments - State PRIM	16,343,533	-
Equity mutual funds	-	742,045
<b>Total Assets</b>	<b>16,743,533</b>	<b>742,045</b>
 <b>Liabilities:</b>		
Other liabilities	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>
 <b>Net Position:</b>		
Restricted for other postemployment benefits	16,743,533	-
Held in trust for other purposes	-	742,045
<b>Total Net Position</b>	<b>\$ 16,743,533</b>	<b>\$ 742,045</b>

See accompanying notes to basic financial statements.

**TOWN OF LINCOLN, MASSACHUSETTS**

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

	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds
<b>Additions:</b>		
Employer contributions	\$ 2,677,890	\$ 52,215
Investment income (loss)		
Interest and dividends	409,061	-
Unrealized gains/(losses)	502,979	52,727
Realized gains/(losses)	92,510	-
Less: Management fees	(77,105)	-
Net investment income (loss)	927,445	52,727
<b>Total Additions</b>	<b>3,605,335</b>	<b>104,942</b>
<b>Deductions:</b>		
Retiree benefits	1,587,890	-
Scholarships	-	31,406
<b>Total Deductions</b>	<b>1,587,890</b>	<b>31,406</b>
<b>Change in Net Position</b>	<b>2,017,445</b>	<b>73,536</b>
Net Position - Beginning	14,726,088	668,509
Net Position - Ending	<b>\$ 16,743,533</b>	<b>\$ 742,045</b>

See accompanying notes to basic financial statements.

## TOWN OF LINCOLN, MASSACHUSETTS

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

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#### **I. Summary of Significant Accounting Policies**

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

##### **A. Reporting Entity**

The Town of Lincoln is located in Middlesex County and was incorporated as a town in 1754. An elected five-member Select Board governs the Town with an appointed Town Administrator. The Town provides governmental services for the territory within its boundaries, including police and fire protection, highway services, water, street maintenance, parks and recreational facilities. Water services are funded almost entirely with user charges.

Component units, while separate entities, are in substance part of the governmental operations if the significance of their operations and/or financial relationship with the Town meet certain criteria. Pursuant to these criteria there are no component units required to be included in the financial statements.

The Town is a member community of the Lincoln-Sudbury Regional School District that provides a public high school to the two member communities. This joint venture assesses each community its share of operational and debt service costs based on student population and other factors. In fiscal year 2023, the Town's share of the operating and debt service expenses was \$3,934,276. There is no equity interest reported in these financial statements. Complete audited financial statements can be obtained directly from the District's administrative office located at 390 Lincoln Road, Sudbury, MA 01776.

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. 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.

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

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

- 1) The total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least ten percent of the corresponding element (assets and deferred outflows, liabilities and deferred inflows, etc.) for all funds of that category or type (total governmental or total enterprise funds), and
- 2) The total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, 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 fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 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*. For the most part, the effect of interfund activity has been removed from the government-wide financial statements.

The governmental fund financial statements are reported using *the current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e. measurable and available). Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for interest on general long-term debt which is recognized when payment is due, certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

The Town considers property tax revenues to be available if they are collected within 60 days after the end of the fiscal year. Investment income associated with the current fiscal period is susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received and are recognized as revenue at that time.

The government reports the following major governmental funds:

General Fund – is the government’s primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

ARPA Fund – is used to account for financial resources that are restricted, committed or assigned to expenditures related to the ARPA grant.

Hanscom School Fund – is used to account for educational services for children of military personnel.

School Building Capital Project Fund – is used to account for a kindergarten through eighth grade school building renovation project.

The *Nonmajor Governmental Funds* consist of other special revenue, capital project and permanent funds that are aggregated and presented in the Nonmajor Governmental Funds column on the Governmental Funds financial statements. The following describes the general use of these fund types:

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

Capital Project Funds – are used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

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

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues are user charges and fees, while operating expenses consist of salaries, ordinary maintenance, indirect costs and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The government reports the following major proprietary funds:

Water Enterprise Fund – is used to account for user charges collected to finance costs associated with operating and maintaining the Town’s water utility.

Fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Fiduciary funds are used to account for assets held in a trustee capacity for others that may not be used for governmental programs.

The government reports the following fiduciary funds:

Other Postemployment Benefits Trust Fund – is used to accumulate funds for future payments of other postemployment benefits for retirees such as health and life insurance.

Private-Purpose Trust Funds – is used to account for trust arrangements under which principal and income benefit individuals, private organizations or other governments. This fund is used for educational scholarships.

#### **D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

Deposits and Investments – The Town’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments of the Town are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Receivables – Real estate and personal property taxes are assessed on January 1 every year. Bills are due in two installments on November 1 and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes at the rate of 14% per annum. The Town is allowed to take delinquent tax accounts into tax title fourteen days subsequent to the mailing of demand of delinquent taxes. Property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate taxes and water user fees and betterments may be secured through a lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible accounts for these receivables is not reported. All personal property tax and excise tax receivables are shown net of an allowance for uncollectible accounts comprised of those outstanding amounts greater than five years old. Departmental and other receivables are shown net of an allowance for uncollectible accounts comprised of those outstanding amounts greater than ninety days old.

Inventories and Prepaid Items – Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles, library materials and infrastructure (e.g. roads, water mains, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. Net interest incurred during the construction phase of capital assets of business-type activities, if material is included as part of the capitalized value of the assets constructed.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected lives of greater than two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets (excluding land and construction-in-process) are depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	3-40 years
Machinery, equipment and vehicles	3-25 years
Infrastructure	10-50 years

Interfund Balances – Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either *due to/from other funds* or *advances to/from other funds*. All other outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*.

Interfund Transfers – During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out in the individual fund statements. Transfers between and within governmental and fiduciary funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and the business –type activities are reported in the statement of activities as *transfers, net*.

Investment Income – Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by state law. Investment income of the proprietary funds is retained in the water fund.

Compensated Absences – It is the Town’s policy to permit employees to accumulate earned but unused vacation and sick leave benefits. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting the payroll and related expenditures. Amounts related to these benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in Governmental Funds only if they have matured.

Long-term Obligations – Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bond anticipation notes payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, the face amount of long-term debt issued is reported as other financing sources. Premiums received on a debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are exclusively reported as general government expenditures regardless of whether they are withheld from the actual proceeds.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows* of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has two types of items that are reported on the government-wide statement of net position which relate to outflows from changes in the net pension liability and the other postemployment benefit liability. The deferred pensions will be recognized in pension expense in future years as more fully described in Note III, subsection A.

The deferred other postemployment benefits will be recognized in employee benefits expense in future years as more fully described in Note III, subsection C.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows or resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has three types of items, which qualify for reporting in this category. The first arises only under a modified accrual basis of accounting and, accordingly, the item *unavailable revenue* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, excise taxes and other. These amounts are deferred and recognized as an inflow of resources in the period that the amounts became available. The other types of items that qualify for reporting as a deferred inflow are reported on the government-wide statement of net position. This relates to inflows from changes in the net pension liability which will be recognized in pension expense in future years as more fully described in Note III subsection A and inflows from the changes in the net other postemployment benefits liability which will be recognized in employee benefits expense in future years as more fully described in Note III, subsection C.

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

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

*Nonexpendable permanent funds* represent the endowment portion of donor restricted trusts that support governmental programs.

*Expendable permanent funds* represent amounts held in trust whereby expenditures are subject to various trust agreements.

*Community preservation* represents assets that are restricted by state law for the purposes of acquiring or developing open space, recreational facilities, historic resources and affordable housing associated with the Massachusetts Community Preservation Act.

*Hanscom School* represents assets that are restricted for educational services for children of military personnel.

*Other purposes* represent assets that are restricted by grantors, donors and state laws for specific governmental programs and uses.

*Fund Balance* – In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent in which the Town is required to honor constraints on the specific purpose for which amounts in the funds can be spent.

Fund balance is reported in five components – nonspendable, restricted, committed, assigned, and unassigned as described below:

*Nonspendable* represents amounts that cannot be spent because they are either (a) not in spendable form (i.e. inventory or prepaid) or (b) legally or contractually required to be maintained intact such as the corpus of an endowment.

*Restricted* represents amounts that have constraints placed either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Town to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

*Committed* represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision making authority, which consists of the Town Meeting members through Town Meeting votes. Those committed amounts cannot be used for any other purpose unless the Town Meeting removes or changes the specified use by taking the same type of action (through Town Meeting votes) it employed previously to commit those amounts.

*Assigned* represents amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. The Town has by ordinance authorized the Town Administrator to assign fund balance. The Select Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

*Unassigned* represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the Town's policy to use committed resources first, then assigned, and then unassigned as they are needed. The Town has not established financial policies with respect to maintaining minimum fund balance amounts.

*Stabilization Fund* – The Town maintains a capital stabilization fund under MGL Chapter 40, Section 5B which may be used for any capital purpose upon a two-thirds vote of the Select Board. The balance of the fund totals \$3,706,208 at June 30, 2023 and is reported as unassigned fund balance in the General Fund.

*Encumbrances* - The Town's encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal purchasing activity approved by the Town Administrator and Town Accountant as assigned, and (2) classify encumbrances that result from an action of the Town Meeting as committed. Encumbrances of funds already restricted, or committed are included within the classification of those fund balances and not reported separately. The Town reports \$801,813 of encumbrances from normal purchasing activity in the general fund as assigned and \$1,222,776 of encumbrances from Town Meeting votes in the general fund as committed. There are no encumbrances reported in any other fund.

The following table reflects the Town's fund balance categorizations:

	General	ARPA Grant Fund	Hanscom School Fund	School Building Capital Project Fund	Nonmajor Governmental Funds	Total
Nonspendable:						
Perpetual permanent funds	\$ -	\$ -	\$ -	\$ -	\$ 740,295	\$ 740,295
Restricted:						
General government	-	-	-	-	609,095	609,095
Ambulance	-	-	-	-	568,381	568,381
Other public safety	-	-	-	-	304,154	304,154
Education	-	-	10,644,112	-	2,057,523	12,701,635
Public works	-	-	-	-	249,838	249,838
Health and human services	-	-	-	-	255,521	255,521
Culture and recreation	-	-	-	-	277,031	277,031
Community preservation	-	-	-	-	3,150,390	3,150,390
Affordable housing	-	-	-	-	630,962	630,962
Capital outlay	-	-	-	1,238,992	14,138	1,253,130
Cemetery trusts	-	-	-	-	126,628	126,628
Library trusts	-	-	-	-	581,855	581,855
Other purposes	-	-	-	-	47,683	47,683
Committed:						
Public safety	462,049	-	-	-	-	462,049
Other purposes	760,727	-	-	-	-	760,727
Assigned:						
Purchase orders	801,813	-	-	-	-	801,813
Subsequent years' budget	6,059,500	-	-	-	-	6,059,500
Unassigned	14,845,840	-	-	-	(195,920)	14,649,920
	<u>\$ 22,929,929</u>	<u>\$ -</u>	<u>\$10,644,112</u>	<u>\$ 1,238,992</u>	<u>\$ 9,417,574</u>	<u>\$ 44,230,607</u>

**D. Excess of Expenditures Over Appropriations and Deficits**

The Town incurred individual fund deficits totaling \$195,920 in the nonmajor governmental funds. These deficits will be funded through grants, bond proceeds and available funds in future fiscal years.

**E. Use of Estimates**

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

**II. Detailed Notes to All Funds**

**A. Deposits and Investments**

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "cash and cash equivalents". The deposits and investments of trust funds are held separately from those of other funds.

State laws and regulations require the Town to invest funds only in pre-approved investment instruments which include but are not necessarily limited to bank deposits, money markets,

certificates of deposit, U.S. obligations, repurchase agreements, and State Treasurer's investment pool ("the Pool"). In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation. During the fiscal year, the Town did not enter into any repurchase agreements.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust ("the MMDT"), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Custodial Credit Risk: Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk relative to cash holdings.

At year-end, the carrying amount of the Town's deposits was \$41,647,445 and the bank balance was \$44,564,180. Of the Town's bank balance, \$5,456,208 was covered by either federal depository insurance or by the depositors' insurance fund, \$22,693,140 was collateralized and the remainder was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk: Investments – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings.

The Town's investments in mutual funds are exposed to custodial credit risk because the related securities are uninsured, unregistered and held by the counterparty. The Town's common stock investments totaling are not exposed to custodial credit risk because they are held with the Town. The Town's investments in negotiable certificates of deposit are fully insured by federal depository insurance. The Town does not have a formal investment policy related to custodial credit risk.

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

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

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

The following table presents the Town’s investments carried at fair value on a recurring basis in the statement of net position at June 30, 2023:

	<u>Fair value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Investments by fair value level</b>				
Debt securities:				
Bond mutual funds	\$ 765,342	\$ -	\$ 765,342	\$ -
Total debt securities	765,342	-	765,342	-
Equity securities:				
Common stock	938	938	-	-
Equity mutual funds	1,742,679	-	1,742,679	-
Total equity securities	1,743,617	938	1,742,679	-
Total investments by fair value level	2,508,959	\$ 938	\$ 2,508,021	\$ -
<b>Investments measured at amortized cost</b>				
State investment pool - MMDT	8,231,680			
Total investments by fair value level	8,231,680			
<b>Investments measured at net asset value</b>				
Pension Reserve Investment Trust (PRIT)	16,343,533			
Total investments	\$27,084,172			

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Negotiable certificates of deposit and mutual funds classified in Level 2 are valued using matrix pricing based on the securities’ relationship to benchmark quoted prices.

The State Treasurer’s investment pool (MMDT) is valued at amortized cost. The MMDT’s investment advisor may value the pool using an alternative valuation method that more accurately reflects the fair value in accordance with the pools fair value pricing policies should amortized cost not approximate the fair value of the pool. There are no restrictions or limits on withdrawals from the pool and no direct fees are charged to participants.

The Town’s investment in PRIT are shown at net asset value (NAV) and are administered by the Pension Reserves Investment Management Board (PRIM). Investments at NAV are commonly calculated by subtracting the fair value of liabilities from the fair value of the assets.

*Interest Rate Risk* – The Town does not have formal investment policies that limit investment maturities as a way of managing its exposure to fair value losses arising from rising interest rates.

At June 30, 2023, the Town had the following investments with maturities:

Investments	Fair value	Maturities in Years		
		Less than 1	1 - 5	6 - 10
Bond mutual funds	\$ 765,342	\$ 765,342	\$ -	\$ -
Total investments with maturities	\$ 765,342	\$ 765,342	\$ -	\$ -

Concentration of Credit Risk – The Town has a formal policy for trust funds that limits to 5% (except U.S. government obligations) the amount it may invest in an individual issuer or a company. The policy for the Town’s general investments is not specific.

Credit Risk – The Town’s formal policy on credit risk requires that investments in corporate bonds must be rated A or higher by Moody’s or Standard and Poor’s. Town’s investments in negotiable certificates of deposit and bond mutual funds are not rated.

**B. Receivables**

Receivables as of year-end for the Town’s individual major and non-major governmental funds in aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Real estate and personal property taxes	\$ 449,297	\$ -	\$ 449,297
Community preservation surcharges	10,088	-	10,088
Excise	159,200	-	159,200
Tax liens and deferrals	414,442	-	414,442
Ambulance fees	40,656	-	40,656
Public safety details	87,699	-	87,699
Other	5,335	-	5,335
Intergovernmental	357,452	-	357,452
Total	\$1,524,169	\$ -	\$1,524,169

Receivables as of year-end for Town's proprietary funds are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Water - user fees	\$ 607,784	\$ -	\$ 607,784
Total	\$ 607,784	\$ -	\$ 607,784

Governmental funds report deferred inflows of resources in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. The following identifies the components of deferred inflows of resources in the governmental funds:

	General Fund	Other Governmental Funds	Total
Receivable and other asset type:			
Real estate and personal property taxes	\$ 339,343	\$ -	\$ 339,343
Community preservation surcharges	-	10,088	10,088
Tax liens and deferrals	411,804	2,638	414,442
Excise	159,200	-	159,200
Ambulance fees	-	40,656	40,656
Public safety details	-	87,699	87,699
Other	535	4,800	5,335
Tax foreclosures	56,150	-	56,150
Total	<u>\$ 967,032</u>	<u>\$ 145,881</u>	<u>\$ 1,112,913</u>

### C. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2023, are as follows:

Transfers Out	Transfers In			Total
	General Fund	Hanscom School Fund	School Building Capital Project Fund	
Hanscom School Fund	\$ 71,000	\$ -	\$ -	\$ 71,000 (1)
Nonmajor Governmental Funds	39,077	616	75,000	114,693 (2)
Water Enterprise Fund	60,000	-	-	60,000 (3)
Total	<u>\$ 170,077</u>	<u>\$ 616</u>	<u>\$ 75,000</u>	<u>\$ 245,693</u>

- (1) Transfers to general fund to supplement operating budgets.
- (2) Transfers to general fund to supplement operating budgets, transfer to hanscom school fund to close out unused funds and transfer to school building capital project fund for capital outlays.
- (3) Transfers to general fund for indirect costs.

## D. Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 40,055,313	\$ -	\$ -	\$ 40,055,313
Construction in process	92,249,905	5,894,110	(1,741,641)	96,402,374
Total capital assets not being depreciated	132,305,218	5,894,110	(1,741,641)	136,457,687
Capital assets being depreciated:				
Buildings and improvements	23,918,290	950,364	-	24,868,654
Infrastructure	19,960,452	-	-	19,960,452
Machinery, equipment and vehicles	9,759,907	2,997,041	-	12,756,948
Total capital assets being depreciated	53,638,649	3,947,405	-	57,586,054
Less accumulated depreciation for:				
Buildings and improvements	(12,315,559)	(741,836)	-	(13,057,395)
Infrastructure	(14,115,155)	(323,126)	-	(14,438,281)
Machinery, equipment and vehicles	(7,956,765)	(590,075)	-	(8,546,840)
Total accumulated depreciation	(34,387,479)	(1,655,037)	-	(36,042,516)
Total capital assets being depreciated, net	19,251,170	2,292,368	-	21,543,538
Total governmental activities capital assets, net	\$ 151,556,388	\$ 8,186,478	\$ (1,741,641)	\$ 158,001,225
<i>Business-type Activities: Water</i>				
Capital assets not being depreciated:				
Land	\$ 3,210,787	\$ -	\$ -	\$ 3,210,787
Construction in process	1,643,794	69,500	(4,707)	1,708,587
Total capital assets not being depreciated	4,854,581	69,500	(4,707)	4,919,374
Capital assets being depreciated:				
Buildings and improvements	165,570	-	-	165,570
Infrastructure	8,363,431	-	-	8,363,431
Machinery, equipment and vehicles	1,109,194	52,768	-	1,161,962
Total capital assets being depreciated	9,638,195	52,768	-	9,690,963
Less accumulated depreciation for:				
Buildings and improvements	(119,937)	(7,679)	-	(127,616)
Infrastructure	(4,971,241)	(136,483)	-	(5,107,724)
Machinery, equipment and vehicles	(1,035,339)	(10,779)	-	(1,046,118)
Total accumulated depreciation	(6,126,517)	(154,941)	-	(6,281,458)
Total capital assets being depreciated, net	3,511,678	(102,173)	-	3,409,505
Total business-type activities capital assets, net	\$ 8,366,259	\$ (32,673)	\$ (4,707)	\$ 8,328,879

Depreciation expense was charged to functions/programs as follows:

<b>Governmental Activities:</b>		<b>Business-Type Activities:</b>	
General government	\$ 247,884	Water	\$ 154,941
Health and human services	103,063		\$ 154,941
Culture and recreation	286,412		
Education	133,274		
Public Safety	459,286		
Public Works	425,118		
	<u>\$ 1,655,037</u>		

**F. Temporary Debt**

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

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

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

Temporary notes are general obligations of the Town and carry maturity dates that are limited by state law. Interest expenditures and expenses for temporary debt are accounted for in the general fund and enterprise funds, respectively.

Temporary notes outstanding at June 30, 2023, are payable as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
BAN	0.80%	03/17/23	\$ 350,000	\$ -	\$ (350,000)	\$ -
BAN	4.50%	03/15/24		430,000		430,000
Total Business-Type Notes			<u>350,000</u>	<u>430,000</u>	<u>(350,000)</u>	<u>430,000</u>
Total Temporary Notes Payable			<u>\$ 350,000</u>	<u>\$ 430,000</u>	<u>\$ (350,000)</u>	<u>\$ 430,000</u>

BAN activity during the fiscal year was for various water enterprise capital projects.

## G. Long-Term Obligations

The following reflects the current year activity in the Town's long-term liability accounts:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
General obligation bonds	\$ 85,040,000	\$ -	\$ (1,935,000)	\$ 83,105,000	\$ 2,060,000
Unamortized bond premium	3,640,789	-	(266,655)	3,374,134	252,959
Compensated absences	503,086	42,127	(125,772)	419,441	104,860
Net pension liability	24,515,962	10,591,269	(2,883,152)	32,224,079	-
Net other postemployment benefits liability	27,558,902	12,154,294	(11,311,657)	28,401,539	-
<b>Total Governmental Activities</b>	<b>\$ 141,258,739</b>	<b>\$ 22,787,690</b>	<b>\$ (16,522,236)</b>	<b>\$ 147,524,193</b>	<b>\$ 2,417,819</b>
<i>Business-type Activities: Water</i>					
General obligation bonds	\$ 1,780,000	\$ -	\$ (205,000)	\$ 1,575,000	\$ 215,000
Unamortized bond premium	200,900	-	(49,701)	151,199	36,935
Notes from direct borrowings and placements	265,000	-	(265,000)	-	-
Compensated absences	32,681	-	(9,202)	23,479	5,870
Net other postemployment benefits liability	106,041	46,767	(43,525)	109,283	-
<b>Total Business-type Activities: Water</b>	<b>\$ 2,384,622</b>	<b>\$ 46,767</b>	<b>\$ (572,428)</b>	<b>\$ 1,858,961</b>	<b>\$ 257,805</b>

The governmental activities will be liquidated by the general fund. The business-type activities liabilities will be liquidated by the water enterprise fund.

## H. Long-Term Debt

The Town issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes have been issued for both governmental and business-type activities.

State law permits the Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5% of its equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." In addition, the Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

The following is a summary of outstanding long-term debt obligations as of June 30, 2023:

Description of Issue	Interest Rate	Beginning Balance	Issuances	Maturities	Ending Balance
<i>Governmental Activities:</i>					
General Obligation Bonds	1.00 - 4.00%	\$ 81,335,000	\$ -	\$ (1,720,000)	\$ 79,615,000
Refunding Bonds	1.00 - 4.00%	3,705,000	-	(215,000)	3,490,000
Total General Obligation Bonds		85,040,000	-	(1,935,000)	83,105,000
Add: Unamortized bond premium		3,640,789	-	(266,655)	3,374,134
Total General Obligation Bonds, net		88,680,789	-	(2,201,655)	86,479,134
Total Governmental Activities debt		\$ 88,680,789	\$ -	\$ (2,201,655)	\$ 86,479,134
<i>Business-Type Activities - Water</i>					
General Obligation Bonds	4.00%	\$ 1,780,000	\$ -	\$ (205,000)	\$ 1,575,000
Total General Obligation Bonds		1,780,000	-	(205,000)	1,575,000
Add: Unamortized bond premium		200,900	-	(49,701)	151,199
Total General Obligation Bonds, net		1,980,900	-	(254,701)	1,726,199
Massachusetts Water Resource Authority	5.00%	265,000	-	(265,000)	-
Total notes from direct borrowings and placements		265,000	-	(265,000)	-
Total Business-type Activities - Water debt		\$ 2,245,900	\$ -	\$ (519,701)	\$ 1,726,199

Payments on long-term debt due in future years consist of the following:

Year Ending June 30	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
<i>Governmental Activities</i>				
2024	\$ 2,060,000	\$ 3,077,779	\$ -	\$ -
2025	2,150,000	2,976,679	-	-
2026	2,250,000	2,871,079	-	-
2027	2,345,000	2,760,529	-	-
2028	2,440,000	2,649,628	-	-
2029-2033	13,670,000	11,523,942	-	-
2034-2038	15,615,000	9,045,332	-	-
2039-2043	17,620,000	6,532,983	-	-
2044-2048	20,395,000	3,290,400	-	-
2049	4,560,000	171,525	-	-
Total	<u>\$ 83,105,000</u>	<u>\$ 44,899,876</u>	<u>\$ -</u>	<u>\$ -</u>

<i>Business-Type Activities: Water</i>				
2024	\$ 215,000	\$ 58,700	\$ -	\$ -
2025	225,000	49,900	-	-
2026	230,000	40,800	-	-
2027	175,000	32,700	-	-
2028	180,000	25,600	-	-
2029-2031	550,000	32,600	-	-
Total	<u>\$ 1,575,000</u>	<u>\$ 240,300</u>	<u>\$ -</u>	<u>\$ -</u>

Authorized and Unissued Debt –

As of June 30, 2023 the Town had no authorized and unissued debt.

**III. Other Information**

**A. Retirement System**

Plan Description – The Town contributes to the Middlesex County Regional Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan established under Chapter 32 of the Commonwealth of Massachusetts General Laws (MGL) and administered by the Middlesex Regional Retirement Board. Stand-alone audited financial statements for the year ended December 31, 2022 were issued and may be obtained by writing to the Middlesex County Regional Retirement System, 25 Linnell Circle, Billerica, Massachusetts 01865.

Membership – Membership in the System as of December 31, 2022, was as follows:

Retired participants and beneficiaries receiving benefits	6,284
Inactive participants entitled to a return of their employee contributions	3,581
Active members	9,432
Inactive participants with a vested right to a deferred or immediate benefit	<u>403</u>
Total	<u><u>19,700</u></u>

Benefit Terms – The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth’s state law during those years are borne by the Commonwealth and are deposited into the pension fund directly. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

Membership in the System is mandatory for all full-time employees and non-seasonal, part-time employees who, in general, regularly work more than twenty hours per week. Members of the System do not participate in the Federal Social Security retirement system.

Massachusetts contributory retirement system benefits are uniform from retirement system to retirement system. The System provides for retirement allowance benefits up to a maximum of 80% of a participant’s highest three-year or five-year average annual rate of regular compensation, depending on the participant’s date of hire. Benefit payments are based upon a participant’s age, length of creditable service, level of compensation and job classification.

Contributions Requirements – The System has elected provisions of Chapter 32, Section 22D (as amended) of Massachusetts General Laws, which require that a funding schedule be established to fully fund the pension plan by June 30, 2040. Under provisions of this law, participating employers are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method.

The Town contributed \$2,754,456 to the System in fiscal year 2023, which was the actuarially determined contribution requirement for the fiscal year. The Town’s contributions as a percentage of covered payroll was approximately 23% in fiscal year 2023.

Net Pension Liability – At June 30, 2023, the Town reported a liability of \$32,224,079 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. These figures were updated by the independent actuary as of December 31, 2022. There were no material changes made in this update to the actuarial assumptions (see below) nor were there any material changes to the System’s benefit terms since the actuarial valuation.

The Town’s proportion of the net pension liability is based on a projection of the Town’s long-term share of contributions to the System relative to the projected contributions of all employers. The Town’s proportion was approximately 1.90% at December 31, 2022.

Pension Expense – The Town recognized \$3,761,126 in pension expense in the statement of activities in fiscal year 2023.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net differences between projected and actual earnings on pension plan investments	\$ 2,590,703	\$ -
Differences between expected and actual experience	236,779	-
Changes of assumptions	556,403	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,526,663	128,696
Total	<u>\$ 4,910,548</u>	<u>\$ 128,696</u>

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

<u>Year ended June 30,</u>	
2024	\$ 886,128
2025	980,269
2026	1,258,575
2027	1,656,880
Total	<u>\$ 4,781,852</u>

Discount Rate – The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates and the member rate. Based on those assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Actuarial Valuation – The measurement of the System’s total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2022. The significant actuarial assumptions used in the January 1, 2022 actuarial valuation included:

Investment rate of return	Full prefunding: 7.15% per year, net of investment expenses
Discount Rate	7.15%
Inflation	3.25%
Salary Increases	Varies by length of service 4.00% group one, 4.25% group two, and 4.50% group four
Cost of Living Adjustment	3% of first \$16,000 of retirement income
Pre-Retirement Mortality	RP-2014 Blue Collar with Scale MP-2021 (projected generationally)
Post-Retirement Mortality	RP-2014 Blue Collar Healthy Annuitant Mortality with Scale MP-2021 (projected generationally)
Disabled Mortality	RP-2014 Blue Collar Healthy Annuitant Mortality with Scale MP-2021; set forward one year (projected generationally)

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 real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocations and best estimates of arithmetic real returns for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	20.50%	6.59%
International developed markets equity	12.00%	6.87%
International emerging markets equity	4.50%	8.30%
Core fixed income	15.00%	1.53%
High-yield fixed income	8.00%	3.54%
Real estate	10.00%	3.44%
Timber	4.00%	4.01%
Hedge funds\PCS	10.00%	3.06%
Private equity	16.00%	9.49%
Total	100.00%	

Sensitivity Analysis – The following presents the Town’s proportionate share of the net pension liability calculated using the current discount rate, as well as the Town’s proportionate share of the net pension liability using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

Current rate	Net pension liability		
	Decrease 1%	Current	Increase 1%
7.15%	\$ 39,888,980	\$ 32,224,079	\$ 25,770,866

**B. Massachusetts Teachers’ Retirement System**

Teachers and certain administrative employees of the School Department participate in the Massachusetts Teachers’ Retirement System (“MTRS”), a cost-sharing multiple employer defined benefit pension plan. The MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. Like the System, MTRS was established under Chapter 32 of Massachusetts General Laws. The Commonwealth’s legislature has the authority to amend or modify the MTRS’s funding policies.

The Commonwealth is a nonemployer contributor to the MTRS and is legally responsible by statute for all actuarially determined employer contributions and future benefit requirements of the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

For the year ended June 30, 2023, the Commonwealth contributed \$4,032,209 to the MTRS on behalf of the Town. The Town’s proportionate share of the collective MTRS net pension liability at this reporting date was 0.19%, which was based on the actual, actuarially determined contribution made by the Commonwealth on behalf of the Town as a percentage of the total annual contribution made by the Commonwealth on behalf of all employers.

The table below presents the Town’s proportionate share of the following:

	Commonwealth Portion	Paid (or assumed) On Behalf of the Town	Town portion
Net pension liability	49,599,064	49,599,064	-
Pension expense	4,080,007	4,080,007	-

In addition to pension expense reported as previously discussed, the Town has recognized intergovernmental revenue and pension expense of \$4,080,007 associated with this arrangement.

**C. Other Postemployment Benefits (OPEB)**

In addition to the pension benefits previously described, the Town provides health and life insurance benefits (other postemployment benefits, or OPEB) to current and future retirees, their dependents and beneficiaries in accordance with Massachusetts General Law (“MGL”) Chapter 32B Section 20 (hereinafter referred to as the “OPEB Plans”).

The Town operate OPEB Plans, while all benefits are provided through the Town’s insurance program. Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law and Town ordinance. The OPEB Plan does not require a standalone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the OPEB Plans.

OPEB Plan disclosures that impact the net OPEB liability using a measurement date of June 30, 2023, are summarized as follows:

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms:

Active employees	356
Inactive employees or beneficiaries currently receiving benefits	<u>239</u>
Total	<u><u>595</u></u>

Contributions – The contribution requirements of OPEB Plan members and the Town are established and may be amended by the Town. Retirees contribute 50% of premiums for medical plans and the group term life insurance plan. The remainder of the cost is funded by general revenues of the Town. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis and annually anticipates contributing additional funding above that amount into the OPEB Trust Fund. The costs of administering the OPEB Plan are paid by the Town. For the year ended June 30, 2023, the Town’s average contribution rate was approximately 9.5% of covered payroll.

Net OPEB Liability – The Town’s net OPEB liability was measured as of June 30, 2023, using an actuarial valuation as of July 1, 2021. The components of the net OPEB liability are as follows:

Total OPEB Liability	\$ 45,254,355
Plan fiduciary net position	<u>(16,743,533)</u>
Net OPEB liability	<u><u>\$ 28,510,822</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	37.0%

The total OPEB liability in the most recent actuarial valuations was determined using the following key actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Investment rate of return	6.30%, net of OPEB plan investment expense, including inflation.
Municipal bond rate	4.13%
Discount Rate	6.30%, net of OPEB plan investment expense including inflation.
Inflation	2.50% annually
Health Care Trend Rate	Getzen Model 9% > 3.6%
Salary Increases	3.00% annually
Pre-Retirement Mortality	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females
Post-Retirement Mortality	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females
Disabled Mortality	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females
Actuarial Cost Method	Individual Entry Age Normal

Discount Rate – The discount rate used to measure the total OPEB liability was 6.30%. This was reduced from the amount used in the prior year of 6.47% and reflects the Town’s estimate of investment return.

Long Term Expected Rate of Return – 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 OPEB Plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return were as reflected in the following table:

Asset Class	Target Allocation	Expected Investment Rate of Return
Domestic Equity - Large Cap	14.50%	4.10%
Domestic Equity - Small/Mid Cap	3.50%	4.55%
International Equity - Developed Market	16.00%	4.64%
International Equity - Emerging Market	6.00%	5.45%
Domestic Fixed Income	20.00%	1.05%
International Fixed Income	3.00%	0.96%
Alternatives	23.00%	5.95%
Real Estate	14.00%	6.25%
	100.00%	
Real rate of return		4.30%
Inflation assumption		2.50%
Total nominal rate of return		6.80%
Investment expense		-0.50%
Net investment return		6.30%

Sensitivity Analyses – The following presents the Town’s net OPEB liability as well as what the Town’s net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate as well as if the healthcare cost trend rates are 1% lower or higher than the current healthcare cost trend rates:

	Net OPEB liability			
	Discount Rate			
	Current Rate	1% Decrease	At Current Rate	1% Increase
	6.30%	\$ 35,087,992	\$ 28,510,822	\$ 23,180,869
	Health Care Trend Rate			
Getzen Model	\$ 22,594,331	\$ 28,510,822	\$ 35,886,355	

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

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2022	\$ 42,391,306	\$ 14,726,363	\$ 27,664,943
Changes for the year:			
Service cost	1,167,061	-	1,167,061
Interest	2,741,990	-	2,741,990
Change in assumptions	541,888	-	541,888
Net investment income	-	927,170	(927,170)
Employer contributions	-	2,677,890	(2,677,890)
Benefit payments withdrawn from trust	(1,587,890)	(1,587,890)	-
Net changes	<u>2,863,049</u>	<u>2,017,170</u>	<u>845,879</u>
Balances at June 30, 2023	<u>\$ 45,254,355</u>	<u>\$ 16,743,533</u>	<u>\$ 28,510,822</u>

*OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB* – For the year ended June 30, 2023, the Town recognized OPEB expense of \$4,044,317. Deferred outflows of resources and deferred inflows of resources related to OPEB were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual earnings	\$ 107,434	\$ -
Changes of assumptions	8,049,310	-
Differences between actual and expected experience	<u>-</u>	<u>3,417,368</u>
	<u>\$ 8,156,744</u>	<u>\$ 3,417,368</u>

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

<u>June 30</u>	
2024	\$ 1,078,526
2025	980,411
2026	1,340,782
2027	847,643
2028	451,096
thereafter	<u>40,918</u>
	<u>\$ 4,739,376</u>

*Investment Custody* – In accordance with Massachusetts General Laws, the Town Treasurer is the custodian of the OPEB Plan and since the Town has not designated a Board of Trustees, the Town Treasurer is also the Trustee and as such is responsible for the general supervision of the management, investment and reinvestment of the OPEB Plan assets. OPEB Plan assets may be invested and reinvested by the custodian consistent with the prudent investor rule established in Chapter 203C and may, with the approval of the State Retiree Benefits Trust Fund Board of

Trustees, be invested in the State Retiree Benefits Trust Fund established in Section 24 of Chapter 32A. OPEB Plan assets must be segregated from other funds and not be subject to the claims of any general creditor of the Town.

*Investment Policy* – The OPEB Plan follows the same investment policies that apply to all other Town Trust funds. Notably it can be invested in accordance with State Statutes that govern Trust investments including PRIM which is an external investment pool managed by the State.

*Investment Rate of Return* – For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 6.07%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

#### **D. Risk Financing**

The Town is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

The Town participates in a health insurance risk pool administered by the Massachusetts Inter-local Insurance Association, Inc. (MIIA). MIIA offers a variety of premium based health plans to its members with each participating governmental unit charged a premium for coverage based on rates established by the MIIA.

#### **E. Commitments and Contingencies**

The Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability, if any, at June 30, 2023, cannot be ascertained, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2023.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, 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.

The Town is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties. The amount of penalties, if any, cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

#### **F. Implementation of GASB Pronouncements**

##### *Current Year Implementations* –

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement was to standardize the reporting of conduit debt obligations by issuers by clarifying the existing definition of conduit debt obligation, among other matters. As amended, the provisions of this Statement became effective for financial reporting periods

beginning after December 15, 2021 (fiscal year 2023). The adoption of this standard did not have a material impact on the Town's financial statements.

In March 2020, the GASB issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement was to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. The provisions of this Statement became effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The adoption of this standard did not have a material impact on the Town's financial statements.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement was to address accounting for subscription-based information technology arrangements to government end users based on the standards established in Statement No. 87, as amended. The provisions of this Statement became effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The adoption of this standard did not have a material impact on the Town's financial statements.

*Future Year Implementations*

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

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

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**TOWN OF LINCOLN, MASSACHUSETTS**

**REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS  
YEAR ENDED JUNE 30, 2023**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Year Ended December 31,	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	1.90%	\$ 32,224,079	\$ 11,870,539	271.46%	52.6%
2021	1.83%	24,515,962	11,398,289	215.08%	61.1%
2020	1.73%	26,477,563	11,002,408	240.65%	53.4%
2019	1.74%	27,767,333	10,549,034	263.22%	49.5%
2018	1.78%	27,722,484	10,130,693	273.65%	46.4%
2017	1.75%	24,841,810	9,736,776	255.13%	49.3%
2016	1.80%	25,563,964	9,468,363	269.99%	45.5%
2015	1.83%	23,666,611	9,595,007	246.66%	46.1%
2014	1.81%	21,739,395	9,225,968	235.63%	47.7%

**SCHEDULE OF THE CONTRIBUTIONS TO PENSION PLAN**

Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	\$ 2,754,456	\$ 2,754,456	\$ -	\$ 12,048,597	22.86%
2022	2,587,296	2,589,045	(1,749)	11,569,263	22.38%
2021	2,434,008	2,434,721	(713)	11,167,444	21.80%
2020	2,274,023	2,274,023	-	10,707,270	21.24%
2019	2,148,246	2,153,104	(4,858)	10,282,653	20.94%
2018	2,015,466	2,015,466	-	9,882,828	20.39%
2017	1,922,136	1,922,136	-	9,610,388	20.00%
2016	1,802,909	1,802,909	-	9,738,932	18.51%
2015	1,622,193	1,622,193	-	9,364,358	17.32%

\* Covered employee payroll as reported in the actuarial valuation report.

This schedule is presented to illustrate the requirement to show information for ten years.

However, until a full ten-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditors' report.

TOWN OF LINCOLN, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS  
 YEAR ENDED JUNE 30, 2023

SCHEDULE OF THE COMMONWEALTH'S COLLECTIVE SHARE OF THE NET PENSION LIABILITY  
 MASSACHUSETTS TEACHER'S RETIREMENT SYSTEM (MTRS)

Year Ended June 30, *	Commonwealth's Proportionate Share of the Collective Net Pension Liability	Town's Proportion Share of the Collective Net Pension Liability	Commonwealth's Proportionate Share of the Net Pension Liability Associated with the Town	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	100.0%	0.0%	\$ 49,599,064	\$ 4,080,007	57.75%
2022	100.0%	0.0%	46,445,326	3,727,044	62.03%
2021	100.0%	0.0%	59,869,615	7,394,755	50.67%
2020	100.0%	0.0%	52,425,174	6,357,462	53.95%
2019	100.0%	0.0%	50,387,226	5,106,016	54.84%
2018	100.0%	0.0%	48,663,025	5,079,102	54.25%
2017	100.0%	0.0%	46,567,518	4,750,192	52.73%
2016	100.0%	0.0%	44,588,867	3,616,554	55.38%
2015	100.0%	0.0%	34,861,016	2,421,962	61.64%

\* Amounts determined for the previous year ended June 30.

Contributions to the MTRS are the responsibility of the Commonwealth of Massachusetts. Accordingly, the Town has not recognized any portion of the net pension liability relative to Town employees covered under the MTRS pension plan.

These schedules are presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is completed, information is presented for those years in which information is available.

See accompanying independent auditors' report.

TOWN OF LINCOLN, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED  
YEAR ENDED JUNE 30, 2023

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS  
LAST 10 FISCAL YEARS

	June 30						
	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability:							
Service cost	\$ 1,167,061	\$ 909,801	\$ 834,538	\$ 793,183	\$ 930,633	\$ 877,083	\$ 1,664,991
Interest	2,741,990	2,426,456	2,326,331	2,171,593	2,068,064	1,951,373	2,429,044
Change in benefit terms	-	-	-	-	-	(9,924,742)	-
Difference between expected and actual plan experience	-	(3,821,127)	-	(2,306,015)	-	(12,519,029)	(263,639)
Change in assumptions	541,888	8,689,970	1,100,167	3,060,629	-	(12,658,695)	5,068,773
Benefit payments	(1,587,890)	(1,675,610)	(1,569,415)	(1,531,623)	(1,237,865)	(1,186,642)	(1,487,353)
Net change in total OPEB liability	2,863,049	6,529,490	2,691,621	2,187,767	1,760,832	(33,460,652)	7,411,816
Total OPEB liability - beginning of year	42,391,306	35,861,816	33,170,195	30,982,428	29,221,596	62,682,248	55,270,432
Total OPEB liability - end of year (a)	\$ 45,254,355	\$ 42,391,306	\$ 35,861,816	\$ 33,170,195	\$ 30,982,428	\$ 29,221,596	\$ 62,682,248
Plan fiduciary net position:							
Contributions - employer	\$ 2,677,890	\$ 2,465,610	\$ 2,359,415	\$ 2,421,623	\$ 2,517,865	\$ 2,066,642	\$ 2,367,353
Net investment income	927,170	(550,027)	3,155,979	202,404	498,271	631,220	655,540
Benefit payments	(1,587,890)	(1,675,610)	(1,569,415)	(1,531,623)	(1,237,865)	(1,186,642)	(1,487,353)
Net change in Plan fiduciary net position	2,017,170	239,973	3,945,979	1,092,404	1,778,271	1,511,220	1,535,540
Plan fiduciary net position - beginning of year	14,726,363	14,486,390	10,540,411	9,448,007	7,669,736	6,158,516	4,622,976
Plan fiduciary net position - end of year (b)	\$ 16,743,533	\$ 14,726,363	\$ 14,486,390	\$ 10,540,411	\$ 9,448,007	\$ 7,669,736	\$ 6,158,516
Net OPEB liability - end of year (a) - (b)	\$ 28,510,822	\$ 27,664,943	\$ 21,375,426	\$ 22,629,784	\$ 21,534,421	\$ 21,551,860	\$ 56,523,732
Plan fiduciary net position as a percentage of the total OPEB liability	37.00%	34.74%	40.40%	31.78%	30.49%	26.25%	9.82%
Covered-employee payroll	\$ 28,080,723	\$ 27,262,839	\$ 22,950,092	\$ 22,281,643	\$ 22,466,191	\$ 26,015,853	\$ 21,176,540
Net OPEB liability as a percentage of covered-employee payroll	101.53%	101.47%	93.14%	101.56%	95.85%	82.84%	266.92%

Not: This schedule is presented to illustrate the requirement to show information for 10 years.

However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

See independent auditors' report.

TOWN OF LINCOLN, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED  
YEAR ENDED JUNE 30, 2023

SCHEDULE OF CONTRIBUTIONS  
LAST 10 FISCAL YEARS

	June 30						
	2023	2022	2021	2020	2019	2018	2017
Actuarially-determined contribution	\$ 2,613,903	\$ 2,331,448	\$ 1,975,787	\$ 2,497,532	\$ 2,552,485	\$ 5,134,134	\$ 1,715,840
Contributions in relation to the actuarially-determined contribution	(2,677,890)	(2,465,610)	(2,359,415)	(2,421,623)	(2,517,865)	(2,066,642)	(2,367,353)
Contribution deficiency (excess)	<u>\$ (63,987)</u>	<u>\$ (134,162)</u>	<u>\$ (383,628)</u>	<u>\$ 75,909</u>	<u>\$ 34,620</u>	<u>\$ 3,067,492</u>	<u>\$ (651,513)</u>
Covered-employee payroll	\$ 28,080,723	\$ 27,262,839	\$ 22,950,092	\$ 22,281,643	\$ 22,466,191	\$ 26,015,853	\$ 21,176,540
Contribution as a percentage of covered-employee payroll	9.5%	9.0%	10.3%	10.9%	11.2%	7.9%	11.2%
Valuation Date	July 1, 2021						
Amortization Period	30 years						
Investment rate of return	6.30%						
Municipal Bond Rate	4.13%						
Single Equivalent Discount Rate	6.30%						
Inflation	2.50%						
Healthcare cost trend rates	9% > 3.6%						
Salary increases	3.00%						
Actuarial Cost Method	Individual Entry Age Normal						
Asset Valuation Method	Market Value of Assets as of Reporting Date						

SCHEDULE OF INVESTMENT RETURNS  
LAST 10 FISCAL YEARS

	June 30						
	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	6.07%	96.24%	29.35%	2.08%	5.94%	9.58%	12.95%

Note: These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

See independent auditors' report.

TOWN OF LINCOLN, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - GENERAL FUND  
 YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
<b>Revenues</b>						
Real estate and personal property taxes, net	\$ 36,730,033	\$ 36,730,033	\$ 36,658,387	\$ -	\$ 36,658,387	\$ (71,646)
Intergovernmental	2,729,251	2,729,251	4,512,389	-	4,512,389	1,783,138
Motor vehicle and other excises	66,204	66,204	1,110,055	-	1,110,055	1,043,851
Departmental and other revenue	307,088	307,088	1,621,053	-	1,621,053	1,313,965
Licenses and permits	37,194	37,194	374,385	-	374,385	337,191
Penalties and interest on taxes	24,852	24,852	72,367	-	72,367	47,515
Fines and forfeitures	5,000	5,000	59,087	-	59,087	54,087
Investment income	5,667	5,667	318,119	-	318,119	312,452
<b>Total Revenues</b>	<b>39,905,289</b>	<b>39,905,289</b>	<b>44,725,842</b>	<b>-</b>	<b>44,725,842</b>	<b>4,820,553</b>
<b>Expenditures</b>						
General government	4,710,842	3,936,671	3,239,375	153,548	3,392,923	543,748
Public safety	5,123,070	5,613,823	5,064,608	516,236	5,580,844	32,979
Education	19,042,601	18,519,982	16,686,280	568,590	17,254,870	1,265,112
Public works	2,587,951	2,617,013	2,219,250	348,478	2,567,728	49,285
Health and human services	357,628	799,114	499,673	283,948	783,621	15,493
Culture and recreation	1,953,327	2,010,989	1,917,569	27,455	1,945,024	65,965
Pensions and fringe benefits	8,524,263	8,523,940	7,067,634	126,334	7,193,968	1,329,972
State and county tax assessments	169,331	171,347	170,667	-	170,667	680
Debt service	4,760,813	4,760,813	4,735,813	-	4,735,813	25,000
<b>Total Expenditures</b>	<b>47,229,826</b>	<b>46,953,692</b>	<b>41,600,869</b>	<b>2,024,589</b>	<b>43,625,458</b>	<b>3,328,234</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	191,947	516,947	495,077	-	495,077	(21,870)
Transfers out	(1,773,438)	(1,773,438)	(2,006,790)	-	(2,006,790)	(233,352)
<b>Other Financing Sources (Uses)</b>	<b>(1,581,491)</b>	<b>(1,256,491)</b>	<b>(1,511,713)</b>	<b>-</b>	<b>(1,511,713)</b>	<b>(255,222)</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses Of Prior Year Budgetary Fund Balance	(8,906,028)	(8,304,894)	1,613,260	-	\$ (411,329)	\$ 7,893,565
<b>Other Budgetary Items</b>						
Use of free cash (unassigned fund balance)	5,780,500	5,780,500	-	-	-	-
Prior year encumbrances	3,128,238	2,524,588	-	-	-	-
Other items	(2,710)	(194)	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>				

See notes to the required supplementary information of this schedule.

See accompanying independent auditors' report.

TOWN OF LINCOLN, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2023

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I. **Budgetary Basis of Accounting**

*Budgetary Information* – An annual budget is legally adopted for the General Fund. Financial orders are initiated by department heads, recommended by the Town Administrator and approved by the Select Board. Expenditures may not legally exceed appropriations at the department level. Department heads may transfer, without Town Meeting approval, appropriation balances from one expenditure account to another within their department or budget. Town Meeting, however, must approve any transfer of unencumbered appropriation balances between departments. At the close of each fiscal year, unencumbered appropriation balances lapse or reverts to unassigned fund balance.

The Town adopts an annual budget for the general fund in conformity with the guidelines described above. During fiscal year 2023, Town Meeting approved subsequent changes between appropriations that did not materially impact the total budget. The Town Accountant has the responsibility to ensure that budgetary control is maintained in the manner in which the appropriations were voted by Town Meeting. Budgetary control is exercised through the Town’s accounting system.

*Budgetary-to-GAAP Reconciliation* – The Town’s general fund is prepared on a basis of accounting other than GAAP. A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2023, is as follows:

	<u>Basis of Accounting Differences</u>	<u>Fund Perspective Differences</u>	<u>Total</u>
Revenues on a budgetary basis			\$ 44,725,842
Stabilization revenues	\$ -	\$ 69,808	69,808
60-day accrual	(113,451)		(113,451)
On-behalf pension payments	4,080,007		4,080,007
Revenues on a GAAP basis	<u>\$ 3,962,078</u>	<u>\$ 69,808</u>	<u>\$ 48,762,206</u>
Expenditures on a budgetary basis			\$ 41,600,869
OPEB transfer	\$ -	\$ 650,000	650,000
On-behalf pension payments	4,080,007	-	4,080,007
Expenditures on a GAAP basis	<u>\$ 4,080,007</u>	<u>\$ 650,000</u>	<u>\$ 46,330,876</u>
Net other financing sources (uses) on a budgetary basis			\$ (1,511,713)
Stabilization transfers	\$ -	\$ 1,031,790	1,031,790
OPEB transfer	-	650,000	650,000
Net other financing sources (uses) on a GAAP basis	<u>\$ -</u>	<u>\$ 1,681,790</u>	<u>\$ 170,077</u>