

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF LITTLETON, MASSACHUSETTS

Report on Examination of the
Basic Financial Statements
and Additional Information
Year Ended June 30, 2023



TOWN OF LITTLETON, MASSACHUSETTS

TABLE OF CONTENTS YEAR ENDED JUNE 30, 2023

	<u>Page</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	1-3
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u>	4-10
<u>BASIC FINANCIAL STATEMENTS:</u>	
Government-Wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Net Position – Proprietary Funds	17
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	18
Statement of Cash Flows – Proprietary Funds	19
Statement of Net Position – Fiduciary Funds	20
Statement of Changes in Net Position – Fiduciary Funds	21
Notes to Basic Financial Statements	22-60
<u>REQUIRED SUPPLEMENTARY INFORMATION:</u>	
Schedule of the Town's Proportionate Share of the Net Pension Liability	61
Schedule of the Town's Contribution to Pension Plan	61
Schedule of Commonwealth's Collective Share of Net Pension Liability – Massachusetts Teacher's Retirement System	62
Schedule of Changes in Net OPEB Liability and Related Ratios – Town	63
Schedule of Changes in Net OPEB Liability and Related Ratios – Electric Light	64
Schedule of Contributions – OPEB Plan – Town	65
Schedule of Investment Returns – OPEB Plan – Town	65
Schedule of Contributions – OPEB Plan – Electric Light	66
Schedule of Investment Returns – OPEB Plan – Electric Light	66
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	67
Notes to Required Supplementary Information	68-69



INDEPENDENT AUDITOR'S REPORT

Honorable Select Board
Town of Littleton, 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 Littleton, Massachusetts, (the "Town") as of and for the year ended June 30, 2023 (except for the Littleton Electric Light Department, (the "Light Department" or "Electric Light Department") which is as of December 31, 2022), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Light Department which represented 48% and 80% of the assets and revenues of the combined enterprise funds; the Water Department which represented 44% and 16% of the assets and revenues of the combined enterprise funds; or the Sewer Department which represented 8% and 4% of the assets and revenues of the combined enterprise funds. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to those amounts, is based solely on the report of the other auditors.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2023 (except for the Light Department, which is as of December 31, 2022), 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.

Reclassifications

As described in Note IV to the financial statements, the Town reclassified the previously reported net positions in the governmental activities, business-type activities and recreation major enterprise fund as well as the fund balances in the nonmajor governmental funds. Our opinions were not modified with respect to this matter.

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 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 April 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
Certified Public Accountants
Woburn, Massachusetts
April 12, 2024

Management's Discussion and Analysis

As the management of the Town of Littleton, 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 financial resources of the Town exceeded its liabilities and deferred inflows of financial resources at the close of the most recent fiscal year by nearly \$169.6 million (*total net position*). Over \$109.6 million represented net position of governmental activities and over \$59.9 million represented net position of the business-type activities.
- Town Meeting voted to rescind the Recreation Enterprise Fund and as a result the beginning net position of the fund totaling \$781,005 was reclassified from the business-type funds to the governmental activities. The fund will now be aggregated with other nonmajor governmental funds in the governmental fund financial statements.
- The government's total net position increased by over \$13.7 million. Over \$7.8 million was related to governmental activities and \$5.9 million was related to business-type activities, net of the reclassification noted above.
- The Town's Unassigned Fund Balance reported in the General Fund was over \$18.3 million (about 32.4% of General Fund expenditures), while total fund balance in the General Fund was over \$27.2 million (48.1% of General Fund expenditures).
- The Town reported restricted fund balances of approximately \$6.8 million and \$15.7 million in the Capital Projects Fund, and the combined Nonmajor Governmental Funds, respectively. A balance of \$1.2 million is included as nonspendable in the Nonmajor Governmental Funds and an unassigned amount of \$3.5 million deficit is reported in the Capital Projects Fund.
- The Town's total long-term debt decreased by over \$3.1 million due to regular scheduled maturities.

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, education, health and human services, debt service, fringe benefits and culture and recreation. The business-type activities of the Town are comprised completely of the water, sewer and electricity services.

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 and the Capital Projects 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 funds. 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 – The Town maintains three types of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Town uses proprietary funds to account for its water, sewer, recreation and electricity services.

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:

	Governmental Activities		Business-Type Activities		Total	
	June 30		June 30		June 30	
	2023	2022	2023	2022	2023	2022
<u>Assets</u>						
Current and other assets	\$ 60,667,951	\$ 56,263,796	\$ 35,488,230	\$ 37,705,492	\$ 96,156,181	\$ 93,969,288
Capital assets, net	100,616,400	98,623,623	77,547,505	69,093,831	178,163,905	167,717,454
Total assets	161,284,351	154,887,419	113,035,735	106,799,323	274,320,086	261,686,742
Deferred outflows of resources	15,731,980	9,107,335	4,391,842	1,221,772	20,123,822	10,329,107
<u>Liabilities</u>						
Long-term liabilities	49,946,264	43,145,611	23,621,714	18,056,733	73,567,978	61,202,344
Other liabilities	11,087,412	10,015,878	29,952,883	26,145,154	41,040,295	36,161,032
Total liabilities	61,033,676	53,161,489	53,574,597	44,201,887	114,608,273	97,363,376
Deferred inflows of resources	6,366,984	9,853,808	3,913,258	8,967,155	10,280,242	18,820,963
<u>Net Position</u>						
Net investment in capital assets	77,513,863	74,247,884	45,073,250	43,624,384	122,587,113	117,872,268
Restricted	15,942,167	14,046,583	2,524,233	2,568,610	18,466,400	16,615,193
Unrestricted	16,159,641	12,684,990	12,342,239	8,659,059	28,501,880	21,344,049
Total Net Position	\$ 109,615,671	\$ 100,979,457	\$ 59,939,722	\$ 54,852,053	\$ 169,555,393	\$ 155,831,510

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 nearly \$169.6 million (*total net position*). This was an increase of approximately \$13.7 million over the preceding year. This was primarily the result of an increase in governmental activities investment income of \$1.7 million, property tax increases of \$2.5 million and positive business-type operations in the water, sewer and electric light enterprise funds of \$2.0 million, \$1.7 million and \$2.2 million, respectively.

By far the largest portion (approximately \$122.6 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 \$18.5 million) represents resources that are subject to external restrictions on how they may be used. *Unrestricted net position* reflects the remainder of net position of approximately \$28.5 million. This represents unencumbered funds that may be spent at the Town's discretion.

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

	Governmental Activities		Business-Type Activities		Total	
	June 30		June 30		June 30	
	2023	2022	2023	2022	2023	2022
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 6,274,117	\$ 5,049,901	\$ 37,575,736	\$ 35,649,348	\$ 43,849,853	\$ 40,699,249
Operating grants and contributions	11,735,201	11,764,503	337,716	328,350	12,072,917	12,092,853
Capital grants and contributions	1,417,139	3,114,854	1,928,260	750,190	3,345,399	3,865,044
General revenues:						
Property taxes	48,213,772	45,706,250	-	-	48,213,772	45,706,250
Unrestricted grants and contributions	832,050	787,956	-	-	832,050	787,956
Other	4,206,994	2,060,533	1,733,656	1,726,488	5,940,650	3,787,021
Total Revenues	72,679,273	68,483,997	41,575,368	38,454,376	114,254,641	106,938,373
<u>Expenses</u>						
General government	7,014,445	5,695,173	-	-	7,014,445	5,695,173
Public safety	10,026,834	8,271,955	-	-	10,026,834	8,271,955
Education	38,848,749	35,438,306	-	-	38,848,749	35,438,306
Public works	4,351,323	5,052,584	-	-	4,351,323	5,052,584
Health and human services	1,113,436	837,523	-	-	1,113,436	837,523
Culture and recreation	3,050,547	1,540,884	-	-	3,050,547	1,540,884
Debt service	637,271	909,321	-	-	637,271	909,321
Water	-	-	4,619,884	3,457,640	4,619,884	3,457,640
Sewer	-	-	375,566	310,955	375,566	310,955
Recreation	-	-	-	1,054,606	-	1,054,606
Electric Light	-	-	30,492,703	27,318,375	30,492,703	27,318,375
Total Expenses	65,042,605	57,745,746	35,488,153	32,141,576	100,530,758	89,887,322
Change in net position before transfers	7,636,668	10,738,251	6,087,215	6,312,800	13,723,883	17,051,051
Transfers	218,541	(259,961)	(218,541)	259,961	-	-
Change in net position	7,855,209	10,478,290	5,868,674	6,572,761	13,723,883	17,051,051
Net position, beginning of year	100,979,457	90,830,522	54,852,053	48,279,292	155,831,510	139,109,814
Reclassify recreation fund	781,005	-	(781,005)	-	-	-
Restate capital assets	-	485,015	-	-	-	485,015
Reclassify debt premiums	-	(98,417)	-	-	-	(98,417)
Reclassify custodial funds	-	208,673	-	-	-	208,673
Reclassify scholarship funds	-	(924,626)	-	-	-	(924,626)
Net position, beginning of year, as restated	101,760,462	90,501,167	54,071,048	48,279,292	155,831,510	138,780,459
Net position, end of year	\$ 109,615,671	\$ 100,979,457	\$ 59,939,722	\$ 54,852,053	\$ 169,555,393	\$ 155,831,510

Governmental Activities - The Town relies significantly on property taxes, which, during 2023, made up approximately 66.3% of total revenues, down slightly from 66.7% in the prior year. Actual revenues increased by over \$2.5 million from tax levy growth. Operating grants and contributions were 16.1% of total revenues, down from 17.2% in the prior year as actual revenues decreased marginally from the prior year. 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 59.7% of total expenses which was an increase of \$3.4 million from the prior year on higher allocated costs from long-term benefits liabilities in addition to pandemic assistance expenditures of about \$0.9 million. Public safety expenses represented 15.4% of total expenses which was an increase of over \$1.7 million from the prior year as the result of the higher benefit costs discussed previously along with increased personnel costs from negotiated contracts. General government expenses represented 10.8% of total expenses which was an increase of over \$1.3 million from the prior year as a result of increased spending from operating budgets of over \$0.6 million and higher allocated benefit costs. 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 90.4% of total fiscal year 2023 revenues, down from 92.7% in the prior year on higher actual revenues of over \$3.1 million. The increase was due to a \$1.2 million increase in capital grant revenue in the current year as well as higher charges for services in the water and electric light enterprise funds of approximately \$1.0 million and \$2.2 million, respectively, which were offset by \$1.2 million of recreation enterprise charges for services which are no longer reported in the enterprise funds. Capital grants and contributions increased approximately \$1.2 million due to a \$1.5 million capital grant in the sewer enterprise fund. Water, sewer, and electric light expenses represented 13.0%, 1.1%, and 85.9% of total fiscal year 2023 business-type activities expenses, respectively. Water costs increased nearly \$1.2 million, primarily from higher depreciation and general and administrative costs. Electric light costs increased nearly \$3.2 million, primarily from higher general and administrative costs and a loss on disposal of assets. Sewer costs were within expectations and comparable to 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 of approximately \$47.5 million. This represents an increase of nearly \$3.1 million over the previous year due to capital funding transfers exceeding capital project expenditures and an increased nonmajor governmental fund balance from higher surpluses in the community preservation act and school choice funds. Of the ending fund balance approximately \$14.8 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 \$18.3 million, while total fund balance totaled over \$27.2 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 32.4% of total general fund expenditures, while total fund balance represents

approximately 48.1% of that same amount. The fund balance of the general fund was relatively unchanged primarily as the positive budgetary operating results were offset by the usage of unassigned fund balance reserves.

The Capital Project fund was primarily used as a funding source for the purchase of the Indian Hill Music School site, building remodeling projects and the purchase of departmental equipment during the year. The fund increased by approximately \$1.7 million as a result of intergovernmental reimbursements and transfers in exceeding the capital spending.

The combined Nonmajor funds increased from prior year by approximately \$1.3 million. Fund balances at year end were over \$16.9 million. This was mainly due to increased surpluses in the community preservation act and school choice funds.

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, sewer and electric light enterprise funds were approximately \$15.3 million, \$1.9 million and \$42.7 million, respectively. The Town's total proprietary fund's net position increased by approximately \$5.9 million, primarily due to the positive operating results in the water, sewer and electric light enterprise funds of \$2.0 million, \$1.7 million and \$2.2 million, respectively.

General Fund Budgetary Highlights

The original budget was increased by Town Meeting votes by over \$1.8 million, primarily for stabilization transfers and affordable housing reserves. 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 \$178.2 million (net of accumulated depreciation) an increase from the previous year's balance of over \$10.4 million as additions exceeded depreciation. This investment in capital assets includes land, buildings and improvements, infrastructure, machinery, and equipment. The total increase is primarily due infrastructure improvements in the proprietary funds as well as the purchase of Indian Hill Music School site and other departmental equipment purchases.

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 debt outstanding of approximately \$28.2 million, net of unamortized premiums. The entire amount comprises debt backed by the full faith and credit of the government. The Town's credit rating from Standard and Poor was maintained at "AAA". This is the highest investment grade issued by this agency. Of this amount approximately \$20.1 million represents debt of the governmental activities and approximately \$8.1 million represents debt of business-type activities.

The Town's total long-term debt experienced a decrease of over \$3.1 million during the fiscal year as the result of regular scheduled pay downs. No new long-term debt was issued during the fiscal year.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5.0 % of its total assessed valuation. The current debt limitation for the Town is approximately \$122.4 million, which is in excess of the Town's outstanding general obligation debt classified as inside the debt limit. The Town also holds a proportionate share of debt of other governmental units that provide services within the Town's boundaries. 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 E and F 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 nearly 70.4% of the Town's real estate tax base. The Town also relies to a lesser but moderate extent on its commercial and industrial real estate tax base, which in aggregate comprise 26% of the Town's real estate tax base. The remainder of the Town's tax base is made up of personal property taxes. 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.
- 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. 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 state aid for 2024 to remain consistent or greater than the prior year.

All of the above items were considered when the Town developed its budget for fiscal year 2024. The budget was adopted in May 2023 and the tax rate was approved in November 2023.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Finance Director, 37 Shattuck Street, Littleton, Massachusetts 01460.

TOWN OF LITTLETON, MASSACHUSETTS

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 50,087,671	\$ 16,956,731	\$ 67,044,402
Investments	8,102,577	6,510,678	14,613,255
Investment in associated companies	-	300,000	300,000
Receivables, net:			
Property taxes	493,300	-	493,300
Tax liens and deferrals	856,981	-	856,981
User fees	-	4,270,863	4,270,863
Betterments	-	674,250	674,250
Departmental and other	837,107	45,386	882,493
Leases	-	3,335,471	3,335,471
Intergovernmental	290,315	-	290,315
Prepaid expenses	-	2,304,293	2,304,293
Inventory	-	1,090,558	1,090,558
Capital assets not being depreciated	19,413,375	9,340,431	28,753,806
Capital assets, net of accumulated depreciation	81,203,025	68,207,074	149,410,099
Total Assets	161,284,351	113,035,735	274,320,086
Deferred Outflows of Resources			
Related to net other postemployment benefit liability	9,319,603	1,875,389	11,194,992
Related to net pension liability	6,412,377	2,516,453	8,928,830
Total Deferred Outflows of Resources	15,731,980	4,391,842	20,123,822
Liabilities			
Warrants and accounts payable	1,852,150	3,337,446	5,189,596
Accrued payroll and withholdings	2,364,190	206,766	2,570,956
Unearned revenue	3,004,092	-	3,004,092
Other liabilities	366,980	208,002	574,982
Bond anticipation notes payable	3,500,000	26,200,669	29,700,669
Noncurrent liabilities:			
Due within one year	2,427,074	641,678	3,068,752
Due in more than one year	47,519,190	22,980,036	70,499,226
Total Liabilities	61,033,676	53,574,597	114,608,273
Deferred Inflows of Resources			
Related to leases	-	3,335,471	3,335,471
Related to net other postemployment benefit liability	6,351,650	486,717	6,838,367
Related to net pension liability	15,334	91,070	106,404
Total Deferred Inflows of Resources	6,366,984	3,913,258	10,280,242
Net Position			
Net investment in capital assets	77,513,863	45,073,250	122,587,113
Restricted for:			
Nonexpendable permanent funds	1,217,758	-	1,217,758
Expendable permanent funds	2,057,454	-	2,057,454
Community preservation	2,475,223	-	2,475,223
Federal and State grants	4,431,030	-	4,431,030
Gift funds	561,244	-	561,244
Depreciation fund	-	2,524,233	2,524,233
Other specific purposes	5,199,458	-	5,199,458
Unrestricted	16,159,641	12,342,239	28,501,880
Total Net Position	\$ 109,615,671	\$ 59,939,722	\$ 169,555,393

See accompanying notes to basic financial statements.

TOWN OF LITTLETON, MASSACHUSETTS

**STATEMENT OF ACTIVITIES
FISCAL 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
Primary government:							
Governmental activities:							
General government	\$ 7,014,445	\$ 940,085	\$ 112,338	\$ 250,000	\$ (5,712,022)		\$ (5,712,022)
Public safety	10,026,834	2,030,757	34,102	-	(7,961,975)		(7,961,975)
Education	38,848,749	1,422,838	11,045,300	-	(26,380,611)		(26,380,611)
Public works	4,351,323	419,849	-	772,401	(3,159,073)		(3,159,073)
Health and human services	1,113,436	103,615	354,061	-	(655,760)		(655,760)
Culture and recreation	3,050,547	1,356,973	189,400	394,738	(1,109,436)		(1,109,436)
Interest expense	637,271	-	-	-	(637,271)		(637,271)
Total governmental activities	65,042,605	6,274,117	11,735,201	1,417,139	(45,616,148)		(45,616,148)
Business-type activities:							
Water	4,619,884	5,767,798	337,716	373,531		\$ 1,859,161	1,859,161
Sewer	375,566	-	-	1,547,217		1,171,651	1,171,651
Electric Light (as of December 31, 2022)	30,492,703	31,807,938	-	7,512		1,322,747	1,322,747
Total business-type activities	35,488,153	37,575,736	337,716	1,928,260		4,353,559	4,353,559
Total Primary Government	\$ 100,530,758	\$ 43,849,853	\$ 12,072,917	\$ 3,345,399	(45,616,148)	4,353,559	(41,262,589)
		<u>General Revenues:</u>					
		Property taxes			48,213,772	-	48,213,772
		Motor vehicle and other excise			2,677,884	-	2,677,884
		Grants and contributions not restricted to specific programs			832,050	-	832,050
		Penalties and interest on taxes			202,084	-	202,084
		Unrestricted investment income (loss)			1,327,026	170,948	1,497,974
		Other			-	1,562,708	1,562,708
		<u>Transfers (net)</u>			218,541	(218,541)	-
		Total general revenues			53,471,357	1,515,115	54,986,472
		Change in Net Position			7,855,209	5,868,674	13,723,883
		<u>Net Position:</u>					
		Beginning of year, as restated (see Note IV)			101,760,462	54,071,048	155,831,510
		End of year			\$ 109,615,671	\$ 59,939,722	\$ 169,555,393

See accompanying notes to basic financial statements.

TOWN OF LITTLETON, MASSACHUSETTS

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023**

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 25,979,470	\$ 7,592,128	\$ 16,516,073	\$ 50,087,671
Investments	4,769,658	-	3,332,919	8,102,577
Receivables, net of allowance for uncollectibles:				
Property taxes	486,904	-	6,396	493,300
Tax liens and deferrals	856,981	-	-	856,981
Departmental and other	389,825	-	447,282	837,107
Intergovernmental	-	-	290,315	290,315
Total Assets	<u>32,482,838</u>	<u>7,592,128</u>	<u>20,592,985</u>	<u>60,667,951</u>
Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 32,482,838</u></u>	<u><u>\$ 7,592,128</u></u>	<u><u>\$ 20,592,985</u></u>	<u><u>\$ 60,667,951</u></u>
Liabilities				
Warrants and accounts payable	\$ 979,620	\$ 745,820	\$ 126,710	\$ 1,852,150
Accrued payroll and withholdings	2,223,794	-	140,396	2,364,190
Unearned revenue	-	-	3,004,092	3,004,092
Other liabilities	342,526	-	24,454	366,980
Bond anticipation notes payable	-	3,500,000	-	3,500,000
Total Liabilities	<u>3,545,940</u>	<u>4,245,820</u>	<u>3,295,652</u>	<u>11,087,412</u>
Deferred Inflows of Resources				
Unavailable revenues - property taxes	1,343,885	-	6,396	1,350,281
Unavailable revenues - other	389,825	-	352,497	742,322
Total Deferred Inflows of Resources	<u>1,733,710</u>	<u>-</u>	<u>358,893</u>	<u>2,092,603</u>
Fund Balances				
Nonspendable	-	-	1,217,758	1,217,758
Restricted	55,167	6,846,308	15,720,682	22,622,157
Committed	4,011,655	-	-	4,011,655
Assigned	4,810,430	-	-	4,810,430
Unassigned	18,325,936	(3,500,000)	-	14,825,936
Total Fund Balances	<u>27,203,188</u>	<u>3,346,308</u>	<u>16,938,440</u>	<u>47,487,936</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u><u>\$ 32,482,838</u></u>	<u><u>\$ 7,592,128</u></u>	<u><u>\$ 20,592,985</u></u>	<u><u>\$ 60,667,951</u></u>

See accompanying notes to basic financial statements.

TOWN OF LITTLETON, MASSACHUSETTS

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

Total Governmental Fund Balances	\$ 47,487,936
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	100,616,400
Other long-term assets are unavailable to pay current-period expenditures	2,092,603
Deferred outflows and inflows of resources to be recognized in future pension and OPEB expense are not available resources and, therefore, are not reported in the funds:	
Deferred outflows related to net other postemployment benefits liability	9,319,603
Deferred outflows related to net pension liability	6,412,377
Deferred inflows related to net other postemployment benefits liability	(6,351,650)
Deferred inflows related to net pension liability	<u>(15,334)</u>
Net effect of reporting deferred outflows and inflows of resources	9,364,996
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	(18,409,920)
Unamortized premiums on bonds	(1,732,950)
Compensated absences	(551,330)
Net pension liability	(18,369,477)
Net other postemployment benefits liability	<u>(10,882,587)</u>
Net effect of reporting long-term liabilities	<u>(49,946,264)</u>
Net Position of Governmental Activities	<u>\$ 109,615,671</u>

See accompanying notes to basic financial statements.

TOWN OF LITTLETON, MASSACHUSETTS

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

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 48,506,024	\$ -	\$ 405,439	\$ 48,911,463
Intergovernmental	8,801,498	55,000	4,749,828	13,606,326
Motor vehicle and other excises	2,545,780	-	-	2,545,780
Licenses and permits	755,450	-	-	755,450
Penalties and interest on taxes	202,084	-	-	202,084
Fines and forfeitures	46,090	-	-	46,090
Departmental and other revenue	831,729	-	4,584,557	5,416,286
Investment income (loss)	987,253	-	339,773	1,327,026
Contributions and donations	-	-	378,064	378,064
Total Revenues	62,675,908	55,000	10,457,661	73,188,569
Expenditures:				
Current:				
General government	4,781,551	98,561	750,252	5,630,364
Public safety	5,725,092	931,342	522,139	7,178,573
Education	23,695,887	59,171	4,223,315	27,978,373
Public works	2,576,058	260,282	1,021,091	3,857,431
Health and human services	511,870	740,636	400,688	1,653,194
Culture and recreation	1,004,534	3,516,890	1,255,213	5,776,637
Pension benefits and fringe benefits	13,942,402	-	-	13,942,402
State and county assessments	1,224,358	-	-	1,224,358
Debt service:				
Principal	2,271,847	-	-	2,271,847
Interest	833,019	-	-	833,019
Total Expenditures	56,566,618	5,606,882	8,172,698	70,346,198
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,109,290	(5,551,882)	2,284,963	2,842,371
Other Financing Sources (Uses):				
Transfers in	1,408,098	7,293,578	1,089,057	9,790,733
Transfers out	(7,459,752)	-	(2,112,440)	(9,572,192)
Total Other Financing Sources (Uses)	(6,051,654)	7,293,578	(1,023,383)	218,541
Net Change in Fund Balances	57,636	1,741,696	1,261,580	3,060,912
FUND BALANCES - Beginning of year, as restated (See Note IV)	27,145,552	1,604,612	15,676,860	44,427,024
FUND BALANCES - End of year	\$ 27,203,188	\$ 3,346,308	\$ 16,938,440	\$ 47,487,936

See accompanying notes to basic financial statements.

TOWN OF LITTLETON, MASSACHUSETTS

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

Net Change in Fund Balances - Total Governmental Fund Balances **\$ 3,060,912**

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	6,805,787	
Depreciation expense	(4,813,010)	
Net effect of reporting capital assets		1,992,777

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:

Amortization of premiums on bonds and notes payable	195,748	
Repayments of debt	2,271,847	
Net effect of reporting long-term debt		2,467,595

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 revenue for various types of accounts receivable differ between the two statements. The amount presented represents the difference in unavailable revenue.

(509,296)

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	(430,691)	
Pension benefits	(339,592)	
Other postemployment benefits	1,613,504	

Net effect of reporting long-term liabilities		843,221
-----------------------------------------------	--	---------

Change in Net Position of Governmental Activities **\$ 7,855,209**

See accompanying notes to basic financial statements.

TOWN OF LITTLETON, MASSACHUSETTS

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

	Business-Type Activities			Total Enterprise Funds
	Water	Sewer	(December 31, 2022) Electric Light	
Assets				
Current assets:				
Cash and cash equivalents	\$ 6,173,808	\$ 1,590,382	\$ 9,192,541	\$ 16,956,731
Investments	-	-	6,510,678	6,510,678
Receivables (net):				
User charges	805,463	-	3,465,400	4,270,863
Departmental and other	18,740	-	26,646	45,386
Betterments	43,500	-	-	43,500
Leases	311,599	-	-	311,599
Prepaid expenses	-	-	2,304,293	2,304,293
Inventory	90,192	-	1,000,366	1,090,558
Total current assets	7,443,302	1,590,382	22,499,924	31,533,608
Noncurrent assets:				
Investment in associated companies	-	-	300,000	300,000
Receivables (net):				
Betterments	630,750	-	-	630,750
Leases	3,023,872	-	-	3,023,872
Nondepreciable capital assets	934,228	7,093,527	1,312,676	9,340,431
Capital assets (net of depreciation)	38,236,719	-	29,970,355	68,207,074
Total noncurrent assets	42,825,569	7,093,527	31,583,031	81,502,127
Total Assets	50,268,871	8,683,909	54,082,955	113,035,735
Deferred Outflows of Resources				
Related to net other postemployment benefit liability	383,945	-	1,491,444	1,875,389
Related to net pension liability	511,113	-	2,005,340	2,516,453
Total Deferred Outflows of Resources	895,058	-	3,496,784	4,391,842
Liabilities				
Current liabilities:				
Warrants and accounts payable	746,200	868,777	1,722,469	3,337,446
Accrued payroll and withholdings	68,036	1,665	137,065	206,766
Other liabilities	2,500	-	205,502	208,002
Bond anticipation notes payable	21,743,490	4,457,179	-	26,200,669
Compensated absences	31,908	-	57,130	89,038
Bonds and notes payable	474,447	78,193	-	552,640
Total current liabilities	23,066,581	5,405,814	2,122,166	30,594,561
Noncurrent liabilities:				
Compensated absences	21,353	-	171,197	192,550
Bonds and notes payable	6,160,907	1,342,465	-	7,503,372
Net other postemployment benefits liability	504,397	-	2,637,166	3,141,563
Net pension liability	2,497,794	-	9,644,757	12,142,551
Total noncurrent liabilities	9,184,451	1,342,465	12,453,120	22,980,036
Total Liabilities	32,251,032	6,748,279	14,575,286	53,574,597
Deferred Inflows of Resources				
Related to leases	3,335,471	-	-	3,335,471
Related to net other postemployment benefit liability	268,897	-	217,820	486,717
Related to net pension liability	29,782	-	61,288	91,070
Total Deferred Inflows of Resources	3,634,150	-	279,108	3,913,258
Net Position				
Net investment in capital assets	11,071,485	2,718,734	31,283,031	45,073,250
Restricted for:				
Depreciation fund	-	-	2,524,233	2,524,233
Unrestricted	4,207,262	(783,104)	8,918,081	12,342,239
Total Net Position	\$ 15,278,747	\$ 1,935,630	\$ 42,725,345	\$ 59,939,722

See accompanying notes to basic financial statements.

TOWN OF LITTLETON, MASSACHUSETTS

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

	Business-Type Activities (December 31, 2022)			Total Enterprise Funds
	Water	Sewer	Electric Light	
Operating Revenues:				
Charges for services	\$ 3,793,754	\$ -	\$ 31,689,126	\$ 35,482,880
Other	1,974,044	-	118,812	2,092,856
Total Operating Revenues	5,767,798	-	31,807,938	37,575,736
Operating Expenses:				
Purchase power	-	-	19,628,700	19,628,700
Operating and maintenance costs	1,458,294	104,312	2,292,000	3,854,606
General and administrative	1,760,960	77,746	5,641,698	7,480,404
Depreciation	1,300,912	-	1,510,966	2,811,878
Total Operating Expenses	4,520,166	182,058	29,073,364	33,775,588
Operating Income (Loss)	1,247,632	(182,058)	2,734,574	3,800,148
Nonoperating Revenues (Expenses):				
Intergovernmental	-	1,500,000	7,512	1,507,512
Investment income	136,406	-	34,542	170,948
Cell tower leasing	373,531	-	-	373,531
Other nonoperating revenue	-	-	1,562,708	1,562,708
Contribution of services from Electric Light	337,716	-	-	337,716
Contribution of services to Town	-	-	(371,805)	(371,805)
Interest expense	(326,492)	(193,508)	-	(520,000)
Loss on disposal of assets	-	-	(753,609)	(753,609)
Other nonoperating expense	226,774	-	(293,925)	(67,151)
Total Nonoperating Revenues (Expenses)	747,935	1,306,492	185,423	2,239,850
Income (Loss) Before Capital Contributions and Transfers	1,995,567	1,124,434	2,919,997	6,039,998
Capital contributions	-	47,217	-	47,217
Transfers in	-	541,459	-	541,459
Transfers out	-	-	(760,000)	(760,000)
Total Capital Contributions and Transfers	-	588,676	(760,000)	(171,324)
Change in Net Position	1,995,567	1,713,110	2,159,997	5,868,674
Total Net Position - Beginning of the Year, as restated (See Note IV)	13,283,180	222,520	40,565,348	54,071,048
Total Net Position - End of the Year	\$ 15,278,747	\$ 1,935,630	\$ 42,725,345	\$ 59,939,722

See accompanying notes to basic financial statements.

TOWN OF LITTLETON, MASSACHUSETTS

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

	Business-Type Activities			
	(December 31, 2022)			Total
	Water	Sewer	Electric Light	Enterprise Funds
Cash Flows from Operating Activities:				
Receipts from customers and users	\$ 6,127,158	\$ -	\$ 31,371,068	\$ 37,498,226
Payments to vendors and employees	(3,269,656)	(181,840)	(27,823,556)	(31,275,052)
Net Cash Provided by (Used in) Operating Activities	2,857,502	(181,840)	3,547,512	6,223,174
Cash Flows from Noncapital Financing Activities:				
Other	190,927	-	896,978	1,087,905
Transfers in	-	541,459	-	541,459
Transfers out	-	-	(760,000)	(760,000)
Net Cash Provided by Noncapital Financing Activities	190,927	541,459	136,978	869,364
Cash Flows from Capital and Related Financing Activities:				
Proceeds from intergovernmental revenues	-	1,500,000	7,512	1,507,512
Proceeds from capital contributions	-	47,217	-	47,217
Proceeds from cell tower leasing	373,531	-	-	373,531
Proceeds from the issuance of bonds and notes	7,133,613	-	-	7,133,613
Premiums from the issuance of bonds and notes	-	-	-	-
Repayments of notes	(1,662,911)	(184,421)	-	(1,847,332)
Acquisition and construction of capital assets	(8,117,765)	(2,645,553)	(1,370,513)	(12,133,831)
Principal payments on bonds and notes	(532,967)	(75,000)	-	(607,967)
Interest payments on bonds and notes	(349,001)	(196,701)	-	(545,702)
Net Cash (Used in) Capital and Related Financing Activities	(3,155,500)	(1,554,458)	(1,363,001)	(6,072,959)
Cash Flows from Investing Activities:				
Investment income	136,406	-	34,542	170,948
Investment of operating cash	-	-	34,452	34,452
Net Cash Provided by (Used in) Investing Activities	136,406	-	68,994	205,400
Net Change in Cash and Cash Equivalents	29,335	(1,194,839)	2,390,483	1,224,979
Cash and Cash Equivalents:				
Beginning of the year	6,144,473	2,785,221	6,802,058	15,731,752
End of the year	\$ 6,173,808	\$ 1,590,382	\$ 9,192,541	\$ 16,956,731
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating Loss	\$ 1,247,632	\$ (182,058)	\$ 2,734,574	\$ 3,800,148
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	1,300,912	-	1,510,966	2,811,878
Contribution of services by Electric Light	337,716	-	-	337,716
Changes in assets, deferred outflows, liabilities, and deferred inflows:				
Receivables	19,144	-	(442,370)	(423,226)
Prepaid and other assets	-	-	(278,227)	(278,227)
Inventory	8,939	-	(62,383)	(53,444)
Accounts payable and accrued expenses	(28,246)	218	(557,604)	(585,632)
Other liabilities	2,500	-	5,500	8,000
Accrued employee benefit liabilities	(28,097)	-	17,629	(10,468)
Net pension liability and related deferrals	170,607	-	529,044	699,651
Net OPEB liability and related deferrals	(173,605)	-	90,383	(83,222)
Net Cash Provided by (Used in) Operating Activities	\$ 2,857,502	\$ (181,840)	\$ 3,547,512	\$ 6,223,174

See accompanying notes to basic financial statements.

TOWN OF LITTLETON MASSACHUSETTS

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

	Other Employee Benefit Trust Funds	Private Purpose Trust Funds
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 138,162	\$ -
Investments:		
Equity mutual funds	19,369,249	2,478,637
Fixed income mutual funds	<u>7,980,655</u>	<u>-</u>
Total Assets	<u>27,488,066</u>	<u>2,478,637</u>
Liabilities		
Warrants and accounts payable	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>
Net Position		
Restricted for other postemployment benefits	27,488,066	-
Held in trust for private purposes	<u>-</u>	<u>2,478,637</u>
Total Net Position	<u>\$ 27,488,066</u>	<u>\$ 2,478,637</u>

See accompanying notes to basic financial statements.

TOWN OF LITTLETON, MASSACHUSETTS

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

	Other Employee Benefit Trust Funds	Private Purpose Trust Funds
	<u> </u>	<u> </u>
Additions		
Contributions:		
Employer	\$ 4,336,755	\$ -
Total contributions	<u>4,336,755</u>	<u>-</u>
Investment income:		
Net appreciation in fair value of investments	<u>1,264,721</u>	<u>197,222</u>
Total Additions	<u>5,601,476</u>	<u>197,222</u>
Deductions		
Benefit payments to pensioners and beneficiaries	1,660,770	-
Educational scholarships	<u>-</u>	<u>107,000</u>
Total Deductions	<u>1,660,770</u>	<u>107,000</u>
CHANGE IN NET POSITION	3,940,706	90,222
NET POSITION AT BEGINNING OF YEAR	<u>23,547,360</u>	<u>2,388,415</u>
NET POSITION AT END OF YEAR	<u><u>\$ 27,488,066</u></u>	<u><u>\$ 2,478,637</u></u>

See accompanying notes to basic financial statements.

TOWN OF LITTLETON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

I. Summary of Significant Accounting Policies

The accompanying 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 government entities. The following is a summary of the more significant policies and practices used by the Town:

A. Reporting Entity

The Town is located in Middlesex County, twenty-five miles northwest of Boston and was incorporated as a Town in 1715. An elected five-member Select Board (“the Board”) governs the Town and an appointed Town Administrator oversees the Town’s daily executive and administrative duties. The Town follows the open town meeting form of government. The Town provides governmental services for the territory within its boundaries, including police and fire protection, disposal of garbage and rubbish, public education in grades K-12, electric, water and sewer services, street maintenance, parks and recreational facilities.

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.

Availability of Financial Information of Town Enterprise Funds – The Littleton Electric Light and Water Departments (“LELWD”) issue separate stand-alone audited financial statements for the Water Enterprise Fund, the Sewer Enterprise Fund, and the Electric Light Enterprise Fund, respectively. These financial statements may be obtained by contacting the Accounting/Business Manager, LELWD, 39 Ayer Road, Littleton, Massachusetts, 01460.

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 primarily on fees and charges for support.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the 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.

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. 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*.

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 unmatured interest on general long-term debt which is recognized when 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 material and 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.

Capital Projects Fund – is used to account for financial resources that are restricted, committed or assigned to expenditures for other capital outlays.

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

The 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.

The 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, assessments, 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 the operation of the Town’s water activities. Costs associated with maintaining the related infrastructure and providing services to the general public on a continuing basis, including depreciation, are financed or recovered primarily through user charges.

Sewer Enterprise Fund – is used to account for the operation of the Town’s sewer activities. Costs associated with maintaining the related infrastructure and providing services to the general public on a continuing basis, including depreciation, are financed or recovered primarily through user charges.

Electric Light Enterprise Fund – is used to account for the operation of the Town’s electric light activities. Costs associated with maintaining the related infrastructure and providing services to the general public on a continuing basis, including depreciation, are financed or recovered primarily through user charges.

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

The government reports the following fiduciary funds:

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

Private-Purpose Trust Fund – is used to account for trust arrangements under which principal and income benefit individuals, private organizations or other governments. This fund is primarily 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 sent quarterly and are due on August 1, November 1, February 1, and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes at the rate of 14% per annum. Motor vehicle excise are billed annually for each vehicle registered in the Town based on vehicles reported to the Town by the Commonwealth of Massachusetts. Water and sewer user fees are billed quarterly based on individual meter readings and are subject to interest and penalties if not paid by the respective due dates. Property taxes, motor vehicle excise taxes and water and sewer user fees are recorded as receivables in the fiscal year of the levy.

Real estate taxes and enterprise fund user fees are secured through a lien process within 60 days after the due date and are considered 100% collectible. Accordingly, an allowance for uncollectible balances for these receivables is not reported. All personal property tax and excise tax receivables are shown net of an allowance for uncollectible balances comprised of those outstanding amounts greater than five years old. Other departmental receivables are shown net of an allowance for uncollectible balances based on historical trends and specific account analysis.

The Water Department recognizes a lease receivable and a deferred inflow of resources in the financial statements. At the commencement of a lease, the Department initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term on a straight-line basis over its useful life. The Department uses its estimated incremental borrowing rate as the discount rate for the leases. The lease term includes the noncancellable period of the lease, including renewal terms reasonably certain to be exercised. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

Inventories and Prepaid Expenses – 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 expenses in both government-wide and fund financial statements. The Light Department’s prepaid expenses represent a deposit used to facilitate timely payments of certain monthly power invoices.

Capital Assets – Capital assets, which include land, buildings and improvements, plant, machinery and equipment, vehicles, plant and infrastructure assets 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. Interest incurred during the construction phase of capital assets of business-type activities 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 one year. 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 of non-Electric Light activities (excluding land and construction-in-process) are depreciated by the Town on a straight-line-basis over the following estimated useful lives below. Massachusetts General Laws (MGL) allow utility plants in service to be depreciated at an annual percentage rate. Changes in the annual depreciation rate must be approved by the Commonwealth. The Electric Light Department used a depreciation rate of 3.0% for 2023.

Buildings, improvements and infrastructure	20-40 years
Vehicles, machinery and equipment	5-15 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 endowment 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 voluntarily assigned to the general fund. Net appreciation on permanent endowment funds is reported in expendable permanent funds in the governmental activities.

Compensated Absences – It is the Town’s policy to permit employees to accumulate earned but unused vacation and sick-pay benefits. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting 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*, represent a consumption of net assets that applies to future periods 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 of resources*, represent an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town has four items that are reported as deferred inflows of resources. The first arises under a modified accrual basis of accounting and, accordingly, the item *unavailable revenue* is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and other. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items are reported on the government-wide statement of net position and relate to inflows from leases, changes in the net pension liability and changes in the other postemployment benefit liability. The deferred lease revenues will be recognized in charges for services and investment income in future years as more fully described in Note II, subsection B. 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.

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 the spendable portion of donor restricted trusts that support governmental programs.

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

Federal and State grants represent assets that have restrictions placed on them from federal and state granting agencies.

Gift funds represent assets that are restricted by donors for specific governmental programs and uses.

Depreciation fund represent assets that are restricted by a requirement to reserve 3.0% of capital assets each year to fund capital improvements.

Other specific purposes represent assets that are restricted by third parties 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 to 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 formal action of the Town Meeting through Town Meeting Articles, which represent the most binding constraint that give rise to committed fund balance. 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 Articles) 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 Select Board has by ordinance authorized the Finance Director to assign fund balance. The Town Meeting 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 Funds – The Town maintains a general stabilization fund, in accordance with Massachusetts General Law Chapter 40, Section 5B. The fund may be used for any municipal purpose upon the condition of a two-thirds vote of the Town Meeting. The balance of the fund totals \$3,959,683 at June 30, 2023 and is reported as unassigned fund balance in the General Fund. Amounts are appropriated into the fund by a majority vote of the Town Meeting. There are no requirements to make annual contributions to this fund.

The Town maintains three special purpose stabilization funds, in accordance with Massachusetts General Law Chapter 40, Section 5B. The funds may be used for the intended municipal purposes upon the condition of a two-thirds vote of the Town Meeting. The balance of the capital stabilization, debt exclusion stabilization and senior center stabilization funds total \$2,225,127, \$443,460 and \$228,692, respectively, at June 30, 2023 and are reported as committed fund balance in the General Fund. Amounts are appropriated into the funds by a majority vote of the Town Meeting. There are no requirements to make annual contributions to these funds.

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 Finance Department 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 \$1,557,389 of encumbrances from normal purchasing activity in the general fund as assigned and \$953,453 of encumbrances from Town Meeting Articles 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	Capital Projects	Nonmajor Governmental	Total
Nonspendable:				
Nonexpendable trust funds	\$ -	\$ -	\$ 1,217,758	\$ 1,217,758
Restricted:				
Town grants	-	-	324,966	324,966
School grants	-	-	4,106,064	4,106,064
Ambulance	-	-	775,127	775,127
Community preservation	-	-	2,463,105	2,463,105
Cable revolving	-	-	391,827	391,827
Recreation revolving	-	-	981,823	981,823
Other Town revolving	-	-	1,205,197	1,205,197
School revolving	-	-	1,845,484	1,845,484
Gifts and donations	-	-	561,244	561,244
Building improvements	-	5,577,818	-	5,577,818
Public works	-	676,241	-	676,241
Other capital outlay	-	592,249	-	592,249
Library trust funds	-	-	1,039,238	1,039,238
Education trust funds	-	-	661,612	661,612
Affordable housing trust funds	-	-	916,112	916,112
Cemetery trust funds	-	-	346,779	346,779
Other trust funds	-	-	102,104	102,104
Debt service	55,167	-	-	55,167
Committed:				
General government	239,849	-	-	239,849
Public buildings	700,000	-	-	700,000
Capital stabilization	3,058,202	-	-	3,058,202
Other purposes	13,604	-	-	13,604
Assigned:				
Purchase orders	1,557,389	-	-	1,557,389
Subsequent years' budget	3,253,041	-	-	3,253,041
Unassigned	18,325,936	(3,500,000)	-	14,825,936
	<u>\$27,203,188</u>	<u>\$ 3,346,308</u>	<u>\$16,938,440</u>	<u>\$47,487,936</u>

E. Excess of Expenditures Over Appropriations and Deficits

During fiscal year 2023, expenditures exceeded appropriations for snow and ice removal by \$165,530. The overage will be funded from available funds in the subsequent fiscal year.

The Town incurred an individual fund deficit totaling \$3,500,000 in the Capital Projects major fund. This deficit will be funded through grants and other available funds in future fiscal years.

F. 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 the 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.

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 has adopted a policy that requires the due diligence necessary to affirm the financial strength, capital adequacy, and reputation of any financial institution in which the Town places deposits. Due diligence includes reviewing the institution's financial statements and the background of the sales representative on a quarterly basis. At June 30, 2023, the Town (excluding the Water, Sewer and Light Department's) had bank deposits totaling \$38,452,825, with a carrying value of \$36,831,772. Of the bank balance, \$16,065,990 was not insured by the Federal Deposit Insurance Corporation ("FDIC"), the depositors' insurance fund or collateralization agreements and therefore exposed to custodial credit risk. Included in the carrying amount of cash is \$4,782,011 of short-term bank certificates of deposit.

Bank deposits of the Water, Sewer and Light Department's are pooled with, or in the same financial institution as, Town operated funds and therefore specific collateralization information on these deposits is not available.

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 policies for the custodial credit risk for investments is the same as described above for its deposits. In addition, all securities not held directly by the Town shall be held in the Town's name and tax identification number by a third-party custodian approved by the Town Treasurer and evidenced by safekeeping receipts showing individual CUSIP numbers for each security. The investments in the MMDT are not exposed to custodial credit risk as their existence is not evidenced by securities that exist in physical or book form. The Town's investments in negotiable certificates of deposit are fully covered by federal

depository insurance. The Town's remaining investments are not subject to custodial credit risk as all assets were held in the Town's name.

Fair Value of Investments – The Town reports its investments at fair value. 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 (excluding Electric Light):

		Fair Value Measurements Using		
	Amount	Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities:				
U.S. government obligations	\$ 1,975,622	\$ 1,800,626	\$ 174,996	\$ -
Corporate fixed income securities	1,545,492	-	1,545,492	-
Bond mutual funds	8,826,753	-	8,826,753	-
Negotiable certificates of deposit	-	-	-	-
Total debt securities	12,347,867	1,800,626	10,547,241	-
Equity securities:				
Equity mutual funds	21,447,709	566,320	20,881,389	-
Common stock	1,221,860	1,221,860	-	-
Total equity securities	22,669,569	1,788,180	20,881,389	-
Total investments by fair value level	\$ 35,017,436	\$ 3,588,806	\$ 31,428,630	\$ -
Investments measured at amortized cost				
State investment pool (MMDT)	13,060,790			
Money market mutual funds	313,943			
Total investments	\$ 48,392,169			

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing 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 following table presents the Town's Electric Light Department's investments carried at fair value on a recurring basis in the statement of net position at December 31, 2022:

		Fair Value Measurements Using		
	Amount	Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities:				
Corporate bonds	\$ 1,600,843	\$ -	\$ 1,600,843	\$ -
Federal agency securities	411,870	-	411,870	-
Fixed income mutual funds	1,424,828	593,303	831,525	-
Negotiable certificates of deposit	34,705	-	34,705	-
U.S. Treasury notes	1,615,415	1,615,415	-	-
Total debt securities	5,087,661	2,208,718	2,878,943	-
Equity securities:				
Equity mutual funds	2,254,542	2,254,542	-	-
Common stock	2,082,157	2,082,157	-	-
Total equity securities	4,336,699	4,336,699	-	-
Total investments by fair value level	\$ 9,424,360	\$ 6,545,417	\$ 2,878,943	\$ -

Electric Light investments are valued in the same manner as Town investments.

Interest Rate Risk – The Town manages its interest rate risk by managing duration in the account. The Town's policy requires investment of operating funds to have a maturity of one year or less from the date of purchase.

At June 30, 2023, the Town (excluding Electric Light) had the following investments with maturities:

Investment Type	Amount	Time Until Maturity (Years)		
		Less Than 1	1-5	6-10
U.S. government obligations	\$ 1,975,622	\$ 1,073,142	\$ 902,480	\$ -
Corporate fixed income securities	1,545,492	427,798	1,117,694	-
Bond mutual funds	8,826,753	8,826,753	-	-
State investment pool (MMDT)	13,060,790	13,060,790	-	-
Total investments with maturities	\$ 25,408,657	\$ 23,388,483	\$ 2,020,174	\$ -

At December 31, 2022, the Town's Electric Light Department had the following investments with maturities:

Investment Type	Amount	Time Until Maturity (Years)			
		Less Than 1	1-5	6-10	Thereafter
Corporate bonds	\$ 1,600,843	\$ 226,673	\$ 1,374,170	\$ -	\$ -
Federal agency securities	411,870	84,393	327,477	-	-
Fixed income mutual funds	1,424,828	43,842	550,211	588,302	242,473
Negotiable certificates of deposit	34,705	34,705	-	-	-
U.S. Treasury notes	1,615,415	188,817	971,409	455,189	-
Total investments with maturities	<u>\$ 5,087,661</u>	<u>\$ 578,430</u>	<u>\$ 3,223,267</u>	<u>\$ 1,043,491</u>	<u>\$ 242,473</u>

Concentration of Credit Risk – The Town minimizes concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Specific investment amounts and/or issuer limitations are addressed in the policy. At June 30, 2023, Town (not including Electric Light) had 27% of its investments in the MMDT.

Credit Risk – The Town’s investments in fixed income securities, other than trust funds under the direction of the Commissioners of Trust Funds, will be made principally for capital preservation and income potential. Corporate debt must be rated investment grade by either S&P or Moody’s rating services. If a security falls below investment grade, the security will be monitored by the Treasurer and advisor, if applicable. The security will be noted as an exception to the policy if held in the portfolio. The Treasurer and/or advisor may sell the security if a further decline in value is expected.

At June 30, 2023, the credit quality ratings of the Town’s investments were as follows (excluding Electric Light):

	Moody's Ratings				
	Corporate Bonds	U.S. Government Obligations	Fixed Income Mutual Funds	State Investment Pool (MMDT)	Total
Aaa	\$ 206,184	\$ 1,975,622	\$ -	\$ -	\$ 2,181,806
A1 - A3	476,104	-	-	-	476,104
Baa1 - Baa2	863,204	-	-	-	863,204
Not Rated	-	-	8,826,753	13,060,790	21,887,543
Total	<u>\$1,545,492</u>	<u>\$ 1,975,622</u>	<u>\$ 8,826,753</u>	<u>\$ 13,060,790</u>	<u>\$ 25,408,657</u>

At December 31, 2022, the credit quality ratings of the investments of the Town’s Electric Light Department were as follows:

	Moody's Ratings			
	Corporate Bonds	Federal Agency Securities	Fixed Income Mutual Funds	Negotiable Certificates of Deposit
Aaa	\$ 101,450	\$ 88,684	\$ 323,365	\$ -
A1 - A3	358,848	-	-	-
Baa1 - Baa2	435,386	-	-	-
Not Rated	839,449	409,340	1,336,923	161,375
Total	<u>\$1,735,133</u>	<u>\$ 498,024</u>	<u>\$ 1,660,288</u>	<u>\$ 161,375</u>

B. Receivables

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
Real estate and personal property taxes	\$ 493,300	\$ -	\$ 493,300
Tax liens and deferrals	856,981	-	856,981
Excise	341,091	-	341,091
Ambulance	1,181,044	(828,547)	352,497
Public safety details	94,785	-	94,785
Other	48,734	-	48,734
Intergovernmental	290,315	-	290,315
Total Governmental Receivables	<u>\$ 3,306,250</u>	<u>\$ (828,547)</u>	<u>\$ 2,477,703</u>

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
Water user charges, billed	\$ 498,791	\$ -	\$ 498,791
Water user charges, unbilled	306,672	-	306,672
Water betterments	674,250	-	674,250
Water leases	3,335,471	-	3,335,471
Water other	18,740	-	18,740
Electric Light user charges, billed	2,917,620	(291,762)	2,625,858
Electric Light user charges, unbilled	839,542	-	839,542
Electric Light other	26,646	-	26,646
Total Business-Type Receivables	<u>\$ 8,617,732</u>	<u>\$ (291,762)</u>	<u>\$ 8,325,970</u>

Governmental funds report deferred inflows of resources in connection with receivables for revenues 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 type:			
Real estate and personal property taxes	\$ 486,904	\$ 6,396	\$ 493,300
Tax liens and deferrals	856,981	-	856,981
Excise	341,091	-	341,091
Ambulance	-	352,497	352,497
Other departmental	48,734	-	48,734
Total deferred inflows	<u>\$ 1,733,710</u>	<u>\$ 358,893</u>	<u>\$ 2,092,603</u>

Lease Receivable – The Town’s Water Department has entered into numerous lease agreements with wireless communication companies for leases of portions of Department owned land. As of June 30, 2023, the Department’s receivable and deferred inflow of resources for lease payments was \$3,335,471. The Department recognized lease revenue of \$302,733 in fiscal year 2023. These leases are summarized as follows:

	Lease Receivable	Lease Revenue
Cedar Hill - Wireless PCS	\$ 530,310	\$ 66,126
Great Road - T-Mobile	181,950	25,165
Great Road - Verizon	156,955	21,708
Newtown Road - Wireless PCS	217,308	22,802
Spectacle Pond - T-Mobile	1,107,915	75,095
Spectacle Pond - OmniPoint	989,974	73,001
Spectacle Pond - Verizon	151,059	18,836
Total	<u>\$ 3,335,471</u>	<u>\$ 302,733</u>

C. Interfund Receivables, Payables and Transfers

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

Transfers Out	Transfers In				Total
	General Fund	Capital Projects	Nonmajor Governmental	Sewer Enterprise	
General Fund	\$ -	\$ 6,436,305	\$ 481,988	\$ 541,459	\$ 7,459,752 (1)
Nonmajor Governmental	648,098	857,273	607,069	-	2,112,440 (2)
Electric Light Enterprise	760,000	-	-	-	760,000 (3)
Total	<u>\$ 1,408,098</u>	<u>\$ 7,293,578</u>	<u>\$ 1,089,057</u>	<u>\$ 541,459</u>	<u>\$ 10,332,192</u>

- (1) Transfers to capital projects for various capital outlays; transfers to nonmajor for closing deficits; and transfers to enterprise to supplement operations.
- (2) Transfers to general fund to supplement operating budgets and close out fund surpluses; transfers to capital projects for capital outlays and transfers between nonmajor funds for affordable housing purposes.
- (3) Transfers to general fund to supplement operating budgets.

D. Capital Assets

Capital asset activity for the year ended June 30, 2023 for the Town's governmental activities was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 14,465,795	\$ -	\$ -	\$ 14,465,795
Construction in process	4,165,701	781,878	-	4,947,579
Total capital assets not being depreciated	18,631,496	781,878	-	19,413,374
Capital assets being depreciated:				
Buildings	104,494,906	3,663,147	-	108,158,053
Improvements other than buildings	1,319,042	-	-	1,319,042
Infrastructure	33,808,995	715,233	-	34,524,228
Machinery, equipment and vehicles	15,491,259	1,645,529	(404,859)	16,731,929
Total capital assets being depreciated	155,114,202	6,023,909	(404,859)	160,733,252
Less accumulated depreciation for:				
Buildings	(46,543,830)	(3,199,150)	-	(49,742,980)
Improvements other than buildings	(570,956)	(79,358)	-	(650,314)
Infrastructure	(17,291,872)	(456,316)	-	(17,748,188)
Machinery, equipment and vehicles	(10,715,417)	(1,078,186)	404,859	(11,388,744)
Total accumulated depreciation	(75,122,075)	(4,813,010)	404,859	(79,530,226)
Total capital assets being depreciated, net	79,992,127	1,210,899	-	81,203,026
Governmental activities capital assets, net	\$ 98,623,623	\$ 1,992,777	\$ -	\$ 100,616,400

Depreciation expense was charged to functions/programs as follows:

<u>Governmental Activities:</u>		<u>Business-Type Activities:</u>	
General government	\$ 203,040	Water	\$ 1,300,912
Public safety	1,225,908	Sewer	-
Education	2,126,063	Electric Light	1,510,966
Public works	830,109	Total Business-Type Activities	<u>\$ 2,811,878</u>
Health and human services	8,678		
Culture and recreation	419,212		
Total Governmental Activities	<u>\$ 4,813,010</u>		

Capital asset activity for the year ended June 30, 2023 for the Town's business-type activities was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u><i>Business-type Activities: Water</i></u>				
Capital assets not being depreciated:				
Land	\$ 934,228	\$ -	\$ -	\$ 934,228
Construction in process	-	528,522	(528,522)	-
Total capital assets not being depreciated	934,228	528,522	(528,522)	934,228
Capital assets being depreciated:				
Buildings and improvements	32,224,048	6,942,751	-	39,166,799
Infrastructure	8,088,539	277,959	-	8,366,498
Machinery, equipment and vehicles	3,065,575	31,972	(45,734)	3,051,813
Total capital assets being depreciated	43,378,162	7,252,682	(45,734)	50,585,110
Less accumulated depreciation for:				
Buildings and improvements	(5,698,172)	(955,506)	-	(6,653,678)
Infrastructure	(3,094,184)	(240,473)	45,734	(3,288,923)
Machinery, equipment and vehicles	(2,300,857)	(104,933)	-	(2,405,790)
Total accumulated depreciation	(11,093,213)	(1,300,912)	45,734	(12,348,391)
Total Water capital assets being depreciated, net	32,284,949	5,951,770	-	38,236,719
Water capital assets, net	<u>\$ 33,219,177</u>	<u>\$ 6,480,292</u>	<u>\$ (528,522)</u>	<u>\$ 39,170,947</u>
<u><i>Business-type Activities: Sewer</i></u>				
Capital assets not being depreciated:				
Land	\$ 1,520,152	\$ -	\$ -	\$ 1,520,152
Construction in process	2,177,409	3,395,966	-	5,573,375
Total capital assets not being depreciated	3,697,561	3,395,966	-	7,093,527
Sewer capital assets, net	<u>\$ 3,697,561</u>	<u>\$ 3,395,966</u>	<u>\$ -</u>	<u>\$ 7,093,527</u>

Capital asset activity for the year ended December 31, 2022 for the Town's Electric Light's business-type activities was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-type Activities: Electric Light</u>				
Capital assets not being depreciated:				
Land	\$ 1,313	\$ -	\$ -	\$ 1,313
Total capital assets not being depreciated	1,313	-	-	1,313
Capital assets being depreciated:				
Buildings and improvements	20,232	409	(5)	20,636
Infrastructure	18,088	449	(861)	17,676
Machinery, equipment and vehicles	12,046	513	(381)	12,178
Total capital assets being depreciated	50,366	1,371	(1,247)	50,490
Less accumulated depreciation for:				
Buildings and improvements	(5,338)	(557)	5	(5,890)
Infrastructure	(7,589)	(498)	109	(7,978)
Machinery, equipment and vehicles	(6,575)	(456)	379	(6,652)
Total accumulated depreciation	(19,502)	(1,511)	493	(20,520)
Total capital assets being depreciated, net	30,864	(140)	(754)	29,970
Electric Light capital assets, net	\$ 32,177	\$ (140)	\$ (754)	\$ 31,283

E. Temporary Debt

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

Current Operating Costs – Prior to collection of revenues, expenditures may be financed through the issuance of revenue or tax anticipation notes (RANS or 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 borrowings 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	2.00%	matured	\$ 2,319,000	\$ -	\$ (2,319,000)	\$ -
BAN	4.50%	05/17/24	-	3,500,000	-	3,500,000
Total Governmental Notes			<u>2,319,000</u>	<u>3,500,000</u>	<u>(2,319,000)</u>	<u>3,500,000</u>
BAN	2.00%	matured	4,150,000	-	(4,150,000)	-
BAN	3.00%	matured	6,233,500	-	(6,233,500)	-
BAN	4.00%	matured	-	8,536,168	(8,536,168)	-
BAN	4.00%	05/17/24	-	4,457,179	-	4,457,179
BAN	4.50%	05/17/24	-	4,078,989	-	4,078,989
MCWT	0.00%	matured	689,130	-	(689,130)	-
MCWT	0.00%	06/30/24	10,530,888	7,133,613	-	17,664,501
Total Business-Type Notes			<u>21,603,518</u>	<u>24,205,949</u>	<u>(19,608,798)</u>	<u>26,200,669</u>
Total Notes Payable			<u>\$ 23,922,518</u>	<u>\$ 27,705,949</u>	<u>\$(21,927,798)</u>	<u>\$ 29,700,669</u>

F. Long-Term Obligations and 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. Additionally, the Town incurs various other long-term obligations relative to associated personnel costs.

State law permits the Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5.0 percent 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 reflects the current year activity in the long-term liability accounts:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
<i>Governmental Activities:</i>					
General obligation bonds	\$ 19,709,000	\$ -	\$ (2,152,000)	\$ 17,557,000	\$ 1,987,000
Unamortized bond premiums	1,928,698	-	(195,748)	1,732,950	182,118
Notes from direct borrowings and placements	972,767	-	(119,847)	852,920	120,124
Compensated absences	120,639	460,851	(30,160)	551,330	137,832
Net other postemployment benefits liability	8,592,251	2,290,336	-	10,882,587	-
Net pension liability	11,822,256	6,547,221	-	18,369,477	-
Total Governmental Activities	<u>\$ 43,145,611</u>	<u>\$ 9,298,408</u>	<u>\$ (2,497,755)</u>	<u>\$ 49,946,264</u>	<u>\$ 2,427,074</u>
<i>Business-type Activities: Water:</i>					
Bonds payable	\$ 6,984,283	\$ -	\$ (532,967)	\$ 6,451,316	\$ 451,938
Unamortized bond premiums	206,547	-	(22,509)	184,038	22,509
Compensated absences	81,359	43,170	(71,268)	53,261	31,908
Net other postemployment benefits liability	505,124	-	(727)	504,397	-
Net pension liability	1,607,534	890,260	-	2,497,794	-
Total Water	<u>9,384,847</u>	<u>933,430</u>	<u>(627,471)</u>	<u>9,690,806</u>	<u>506,355</u>
<i>Business-type Activities: Sewer:</i>					
Bonds payable	1,435,000	-	(75,000)	1,360,000	75,000
Unamortized bond premiums	63,851	-	(3,193)	60,658	3,193
Total Sewer	<u>1,498,851</u>	<u>-</u>	<u>(78,193)</u>	<u>1,420,658</u>	<u>78,193</u>
<i>Business-type Activities: Electric Light:</i>					
Compensated absences	210,698	66,969	(49,340)	228,327	57,130
Net other postemployment benefits liability	1,408,433	1,228,733	-	2,637,166	-
Net pension liability	6,207,187	3,437,570	-	9,644,757	-
Total Electric Light	<u>7,826,318</u>	<u>4,733,272</u>	<u>(49,340)</u>	<u>12,510,250</u>	<u>57,130</u>
Total Business-type Activities	<u>\$ 18,710,016</u>	<u>\$ 5,666,702</u>	<u>\$ (755,004)</u>	<u>\$ 23,621,714</u>	<u>\$ 641,678</u>

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

The following represents authorized and unissued debt as of June 30, 2023:

Projects	Amount
Senior center	\$ 13,500,000
Roads	1,000,000
Other governmental	233,100
Water projects and wells	21,200,000
Sewer projects	29,438,000
	<u>\$ 65,371,100</u>

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

Description of Issue	Interest Rate	Beginning Balance	Additions	Maturities	Ending Balance
<i>Governmental Activities:</i>					
General obligation bonds	2.00 - 5.00%	\$ 12,732,500	\$ -	\$ (917,500)	\$ 11,815,000
Refunding bonds	2.00 - 5.00%	6,976,500	-	(1,234,500)	5,742,000
Total General Obligation Bonds		19,709,000	-	(2,152,000)	17,557,000
Add: Unamortized bond premium		1,928,698	-	(195,748)	1,732,950
Total General Obligation Bonds, net		<u>\$ 21,637,698</u>	<u>\$ -</u>	<u>\$ (2,347,748)</u>	<u>\$ 19,289,950</u>
Massachusetts Clean Water Trust (MCWT) notes	0.00%	\$ 222,963	\$ -	\$ (12,732)	\$ 210,231
Other direct bonds	3.00 - 5.00%	749,804	-	(107,115)	642,689
Total notes from direct borrowings and placements		972,767	-	(119,847)	852,920
Total Governmental Activities debt		<u>\$ 22,610,465</u>	<u>\$ -</u>	<u>\$ (2,467,595)</u>	<u>\$ 20,142,870</u>
<i>Business-type Activities - Water:</i>					
Bonds payable*	0.00 - 5.00%	\$ 6,984,283	\$ -	\$ (532,967)	\$ 6,451,316
Add: Unamortized bond premium		206,547	-	(22,509)	184,038
Total Water debt		<u>\$ 7,190,830</u>	<u>\$ -</u>	<u>\$ (555,476)</u>	<u>\$ 6,635,354</u>
<i>Business-type Activities - Sewer:</i>					
Bonds payable	3.00 - 5.00%	\$ 1,435,000	\$ -	\$ (75,000)	\$ 1,360,000
Add: Unamortized bond premium		63,851	-	(3,193)	60,658
Total Sewer debt		<u>\$ 1,498,851</u>	<u>\$ -</u>	<u>\$ (78,193)</u>	<u>\$ 1,420,658</u>
Total Business-Type Activities		<u>\$ 8,689,681</u>	<u>\$ -</u>	<u>\$ (633,669)</u>	<u>\$ 8,056,012</u>

* SRF loan was reclassified from a note payable in the prior year to a bond in the current year.

Payments on outstanding bond balances 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	\$ 1,987,000	\$ 675,034	\$ 120,124	\$ 17,059
2025	1,961,000	583,084	120,407	14,655
2026	1,881,000	492,183	120,695	12,247
2027	1,781,000	404,359	120,991	9,833
2028	1,521,000	320,559	121,292	7,414
2029-2033	4,356,000	841,994	182,759	13,411
2034-2038	3,145,000	339,226	66,652	3,367
2039-2042	925,000	35,139	-	-
Total	<u>\$ 17,557,000</u>	<u>\$ 3,691,578</u>	<u>\$ 852,920</u>	<u>\$ 77,986</u>

Year Ending June 30	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
<i>Business-Type Activities - Water</i>				
2024	\$ 451,938	\$ 207,889	\$ -	\$ -
2025	452,921	191,589	-	-
2026	447,905	175,239	-	-
2027	447,888	159,139	-	-
2028	437,871	143,189	-	-
2029-2033	2,128,103	490,213	-	-
2034-2038	1,443,683	189,850	-	-
2039-2042	641,007	47,756	-	-
Total	<u>\$ 6,451,316</u>	<u>\$ 1,604,864</u>	<u>\$ -</u>	<u>\$ -</u>
<i>Business-Type Activities - Sewer</i>				
2024	\$ 75,000	\$ 56,363	\$ -	\$ -
2025	75,000	52,613	-	-
2026	75,000	48,863	-	-
2027	75,000	45,113	-	-
2028	75,000	41,363	-	-
2029-2033	355,000	152,065	-	-
2034-2038	350,000	81,725	-	-
2039-2042	280,000	24,763	-	-
Total	<u>\$ 1,360,000</u>	<u>\$ 502,868</u>	<u>\$ -</u>	<u>\$ -</u>

Direct Borrowings and Placements

The Town has one outstanding note from direct borrowings and placements issued to the MCWT under its State Revolving Loan Fund. The note was issued for \$282,674, pays interest at 2.0% per annum and matures on January 15, 2037. The financing agreements with the MCWT contain a provision that in the event of default, outstanding amounts due and payable shall be paid from any undisbursed proceeds on account or be deducted from any state local aid distributions owed to the Town. This provision also allows the MCWT to declare the entire outstanding principal amount due immediately.

The Town also has an outstanding direct borrowing issued through the Massachusetts State Building Authority which was issued for \$2,142,297, pays interest at 2.0% and matures on November 1, 2028.

III. Other Information

A. Retirement System

Retirement System Description – The Town contributes to the Middlesex Retirement System (the “System”), a cost-sharing multiple-employer defined benefit pension plan. The System was established under Chapter 32 of the Commonwealth of Massachusetts General Laws (MGL) and is administered by Middlesex County Retirement Board (the “Board”). Standalone audited financial statements for the year ended December 31, 2022 were issued and are available at the Middlesex Retirement System, 25 Linnell Circle, Billerica, MA 01865.

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.

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 \$3,829,498 to the System in fiscal year 2023 which equaled the actuarially-determined contribution requirement for the fiscal year plus additional contributions of \$929,458.

Net Pension Liability – At June 30, 2023, the Town reported a liability of \$30,512,028 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. There were no material changes from the previous 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 1.80% at December 31, 2021, which was consistent with the prior valuation.

Fiduciary Net Position –The System’s fiduciary net position was determined using the accrual basis of accounting. The System’s accounting records are maintained on a calendar-year basis in accordance with the standards and procedures established by PERAC. Contributions from employers and employees are recognized in the period in which they become due pursuant to formal commitments, statutory or contractual requirements. Benefit payments (including refunds of employee contributions) are recorded when incurred, regardless of the timing of payment. Investments are reported at fair value; fair value is determined as the price one would receive in an orderly transaction between market participants at a measurement date.

Pension Expense – The Town recognized \$4,868,741 in pension expense in the statement of activities in fiscal year 2023; which was allocated to all functional expenses that applied.

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	\$ 2,453,061	\$ -
Differences between expected and actual experience	224,199	-
Changes in assumptions	526,841	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	4,795,271	106,404
Town contributions subsequent to the measurement date	<u>929,458</u>	<u>-</u>
Total	<u>\$ 8,928,830</u>	<u>\$ 106,404</u>

\$929,458 reported as deferred outflows of resources from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as 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	\$ 1,868,762
2025	1,644,423
2026	1,953,292
2027	<u>2,426,491</u>
Total	<u>\$ 7,892,968</u>

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 actuarial valuation included:

Actuarial cost method	Individual entry age normal
Investment rate of return	7.15%
Projected salary increases	4% for Group 1, 4.25% for Group 2 and 4.50% for Group 4
Inflation	3.25%
Cost of living adjustments	3.0% of the first \$16,000 of retirement income
Asset valuation method	The difference between the expected return and the actual investment return on a market value basis is recognized over a five year period. Asset value is adjusted as necessary be within 20% of the market value.
Mortality rates:	
Pre-Retirement	The RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2021.
Post-Retirement	The RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2021.
Disabled	The RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2021.

The investment rate of return assumption is a long-term assumption and is based on capital market expectations by asset class, historical returns and professional judgment. The market expectations analysis used a building-block approach, which included expected returns by asset class and the target asset allocation. The target allocation 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	20.5%	6.59%
International developed marl	12.0%	6.87%
International emerging mark	4.5%	8.30%
Core fixed income	15.0%	1.53%
High-yield fixed income	8.0%	3.54%
Real estate	10.0%	3.44%
Timber	4.0%	4.01%
Hedge funds, GTAA, risk p	10.0%	3.06%
Private equity	16.0%	9.49%
	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability in the January 1, 2022 actuarial valuation report was 7.15%, which was lower than the 7.30% from the previous actuarial valuation. 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.

Sensitivity Analysis – The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.15% 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:

	1% Decrease (6.15%)	Current Discount (7.15%)	1% Increase (8.15%)
Town's proportionate share of net pension liability	\$ 37,769,697	\$ 30,512,028	\$ 24,401,671

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 \$3,323,92. 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 0.157936%, 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	\$ 40,886,634	\$ (40,886,634)	\$ -
Pension expense	3,363,325	(3,363,325)	-

In addition to pension expense reported as previously discussed, the Town has recognized intergovernmental revenue and pension expense of \$3,363,325 associated with this arrangement.

C. Other Postemployment Benefits (OPEB)

Town OPEB Plan

The Town administers a single employer defined benefit healthcare plan (the “OPEB Plan”). The OPEB Plan provides health, dental and life insurance benefits (other postemployment benefits) to current and future retirees, their dependents and beneficiaries in accordance with Section 20 of Massachusetts General Law Chapter 32B.

Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law and Town ordinance. All benefits are provided through the Town’s premium-based insurance program. The OPEB Plan does not issue a stand-alone financial report and is presented as a fiduciary fund in the Town’s financial statements.

With respect to OPEB plan reporting, GASB issued GASB Statement No.’s 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, and Statement No, 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Reporting requirements for governments who administer an OPEB plan as defined under the accounting standard are required to present disclosures under both GASB 74 and GASB 75.

GASB 74 requires specific disclosures and required supplementary information that relate directly to the fiduciary fund in which the OPEB Plan is recorded. GASB 75 address disclosures related to the net OPEB liability required to be recorded by the government in its applicable financial statements. A number of these disclosures are identical, especially if the measurement date under GASB 75 is the same as the plan year-end date. When a different measurement date is used different assumptions and calculations will result.

For the year ended June 30, 2023, the Town elected to use a measurement date that was the same as the plan year-end date thus the majority of the same disclosures are used and will not be repeated.

GASB Statement No. 75

OPEB Plan disclosures that impact the Town’s 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 as of June 30, 2023:

Active employees	386
Inactive employees	176
Total	<u>562</u>

Contributions – The contribution requirements of OPEB Plan members and the Town are established and may be amended by the Town. Retirees contribute 25% of the set premium for medical, dental and life insurance plans. 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. The costs of administering the OPEB Plan are paid by the Town.

Net OPEB Liability – The Town’s net OPEB liability was measured as of June 30, 2023 using an actuarial valuation as of July 1, 2022. The components of the net OPEB liability of the Town as of June 30, 2023 were as follows:

Total OPEB liability	\$ 35,946,001
Plan fiduciary net position	<u>(24,559,017)</u>
Net OPEB liability	<u>\$ 11,386,984</u>
Plan fiduciary net position as a percentage of the total OPEB liability	68.32%

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

Investment rate of return	6.0%, compounded annually, net of investment expense
Municipal bond rate	3.65% as of June 30, 2023
Discount Rate	6.00%, net of OPEB plan investment expense including inflation.
Inflation	2.50%
Health Care Trend Rate	8.00% decreasing annually to 4.10%
Salary Increases	3.50% per year
Pre-Retirement Mortality	RP-2014 Mortality Table for Blue Collar Employees projected with generational mortality improvement using Scale MP-2021.
Post-Retirement Mortality	RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected with generational mortality improvement using Scale MP-2021.
Disabled Mortality	RP-2014 Mortality Table for Blue Collar Employees set forward one year with full generational mortality improvement using Scale MP-2021.
Actuarial Cost Method	Individual entry age normal

Key assumption changes effective Fiscal Year ending June 30, 2023

Single Equivalent Discount R	6.00% previously 6.50%
Investment rate of return	6.00% previously 6.50%
Health Care Trend Rate	8.00% decreasing annually to 4.10%; previously 7.00% decreasing annually to 4.00%

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	40.00%	3.90%
International Equity	20.00%	5.75%
Domestic Bond	25.00%	1.39%
Alternative	10.00%	3.14%
International Bond	5.00%	1.21%
	<u>100.00%</u>	

Sensitivity Analyses – The following presents the Town's net OPEB liability as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1% 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:

	Discount Rate			
	Current Rate	1% Decrease	At Current Rate	1% Increase
Net OPEB liability	6.00%	\$ 16,744,566	\$ 11,386,984	\$ 7,041,851

	Health Care Trend Rate			
	Current Rate	1% Decrease	At Current Rate	1% Increase
Net OPEB liability	8.00% decreasing to 4.10%	\$ 6,328,724	\$ 11,386,984	\$ 17,774,299

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	\$ 29,221,422	\$ 20,124,047	\$ 9,097,375
Changes for the year:			
Service cost	1,060,820	-	1,060,820
Interest	1,925,770	-	1,925,770
Changes of assumptions	3,572,480	-	3,572,480
Net investment income	-	1,808,985	(1,808,985)
Employer contributions	-	3,936,014	(3,936,014)
Benefit payments withdrawn from trust	-	(1,310,029)	1,310,029
Benefit payments	(1,310,029)	-	(1,310,029)
Net changes	6,724,579	4,434,970	2,289,609
Balances at June 30, 2023	<u>\$ 35,946,001</u>	<u>\$ 24,559,017</u>	<u>\$ 11,386,984</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 \$2,109,609. Deferred outflows of resources and deferred inflows of resources related to OPEB as of June 30, 2023 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual earnings	\$ 1,508,890	\$ -
Changes of assumptions	6,910,500	76,870
Differences between expected and actual experience	1,284,158	6,543,677
	<u>\$ 9,703,548</u>	<u>\$ 6,620,547</u>

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

June 30	
2024	\$ 529,709
2025	389,275
2026	1,032,760
2027	(98,344)
2028	116,990
Thereafter	<u>1,112,611</u>
	<u>\$ 3,083,001</u>

GASB Statement No. 74

OPEB Plan disclosures that impact the Town's net OPEB liability using a measurement date of June 30, 2023 are summarized in this section except disclosures under GASB 74 that are identical to GASB 75 are not repeated.

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 has a formal investment policy to invest in Domestic Equity, Domestic Fixed Income, International Equity, International Fixed Income, Alternative Investments and Cash Equivalents with target allocations highlighted previously under the caption *long-term expected rate of return*.

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 8.51%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Electric Light OPEB Plan

The Electric Light Department administers a single employer defined benefit healthcare plan (the "Light OPEB Plan"). The Light OPEB Plan provides healthcare benefits for retired employees through the plan in accordance with Section 20 of Massachusetts General Law Chapter 32B. The Department's Board of Commissioners has the authority to establish and amend benefit terms.

Contributions – The Electric Light Department is not required by law or contractual agreement to provide funding for the Light OPEB Plan other than "pay-as-you-go" cost of providing current benefits to eligible retirees, spouses and dependents. The Department may make additional contributions based on the administration budget.

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of January 1, 2022 (actuarial valuation date):

Active employees	27
Inactive employees	29
Total	<u>56</u>

Net OPEB Liability – The Electric Light Department's net OPEB liability was measured as of December 31, 2022 using an actuarial valuation as of January 1, 2022. The components of the net OPEB liability of the Electric Light Department as of June 30, 2023 were as follows:

Total OPEB liability	\$ 5,566,215
Plan fiduciary net position	<u>(2,929,049)</u>
Net OPEB liability	<u>\$ 2,637,166</u>
Plan fiduciary net position as a percentage of the total OPEB liability	52.62%

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

Investment rate of return	6.00%, net of OPEB plan investment expense, including inflation
Discount Rate	6.00%, net of OPEB plan investment expense, including inflation
Inflation	2.50%
Health Care Trend Rate	8.00% decreasing by 0.5% per year to 6.0% then graduating down to an ultimate trend rate of 4.1%, using the Getzen Medical Trend Model.
Salary Increases	3.50% per year
Pre-Retirement Mortality	RP-2014 Mortality Table for Blue Collar Employees projected with generational mortality improvement using Scale MP-2021.
Post-Retirement Mortality	RP-2014 Mortality Table for Blue Collar Employees projected with generational mortality improvement using Scale MP-2021.
Actuarial Cost Method	Individual entry age normal

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	40.00%	3.90%
Domestic Bond	25.00%	1.39%
International Equity	20.00%	5.75%
International Bond	5.00%	1.21%
Alternative	10.00%	3.14%
	<u>100.00%</u>	

Sensitivity Analyses – The following presents the Electric Light Department’s net OPEB liability as well as what the Electric Light Department’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:

	Discount Rate			
	Current Rate	1% Decrease	At Current Rate	1% Increase
Net OPEB liability	6.00%	\$ 3,380,640	\$ 2,637,166	\$ 2,026,988

	Health Care Trend Rate			
	Current Rate	1% Decrease	At Current Rate	1% Increase
Net OPEB liability	8.00% decreasing to 4.10%	\$ 1,918,368	\$ 2,637,166	\$ 3,539,977

Changes in the Net OPEB Liability – The following table summarizes the changes in the Electric Light Department’s 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 December 31, 2021	\$ 4,831,746	\$ 3,423,313	\$ 1,408,433
Changes for the year:			
Service cost	130,237	-	130,237
Interest	311,130	-	311,130
Changes of assumptions	508,871	-	508,871
Difference between expected and actual experience	134,972	-	134,972
Net investment income	-	(544,264)	544,264
Employer contributions	-	400,741	(400,741)
Benefit payments withdrawn from trust	-	(350,741)	350,741
Benefit payments	(350,741)	-	(350,741)
Net changes	734,469	(494,264)	1,228,733
Balances at December 31, 2022	<u>\$ 5,566,215</u>	<u>\$ 2,929,049</u>	<u>\$ 2,637,166</u>

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended December 31, 2022, the Electric Light Department recognized OPEB expense of \$491,124. Deferred outflows of resources and deferred inflows of resources related to OPEB as of December 31, 2022 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual earnings	\$ 417,604	\$ 217,820
Changes of assumptions	955,761	-
Differences between expected and actual experience	118,079	-
	<u>\$ 1,491,444</u>	<u>\$ 217,820</u>

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

December 31	
2023	\$ 214,254
2024	262,750
2025	278,854
2026	276,828
2027	80,581
thereafter	<u>160,357</u>
	<u>\$ 1,273,624</u>

Investment Rate of Return – For the year ended December 31, 2022 the annual money-weighted rate of return on investments, net of investment expense, was (15.88)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Other Employee Benefit Trust Funds

The Town reports two other employee benefit trust funds in a single column in the Statement of Net Position and Statement of Changes in Net Position in the Fiduciary Funds. The Town's Other Postemployment Benefits Trust Fund and the Electric Light Other Postemployment Benefits Trust Fund do not issue stand-alone financial statements and must be reported separately.

The Statement of Net Position of the Town's other employee benefit trust funds are as follows:

	(December 31, 2022)		
	Town Other Postemployment Benefits Trust Fund	Electric Light Other Postemployment Benefits Trust Fund	Total
Assets:			
Cash and Cash Equivalents	\$ 122,795	\$ 15,367	\$ 138,162
Investments (at fair value):			
Equity mutual funds	17,287,092	2,082,157	19,369,249
Fixed income mutual funds	7,149,130	831,525	7,980,655
Total Investments	24,436,222	2,913,682	27,349,904
Total Assets	24,559,017	2,929,049	27,488,066
Liabilities:			
Warrants and accounts payable	-	-	-
Total Liabilities	-	-	-
Net Position:			
Restricted for other postemployment benefits	24,559,017	2,929,049	27,488,066
Total Net Position	\$ 24,559,017	\$ 2,929,049	\$ 27,488,066

The Statement of Changes in Net Position of the Town's other employee benefit trust funds are as follows:

	(December 31, 2022)		
	Town Other Postemployment Benefits Trust Fund	Electric Light Other Postemployment Benefits Trust Fund	Total
Additions			
Contributions:			
Employer	\$ 3,936,014	\$ 400,741	\$ 4,336,755
Total Contributions	3,936,014	400,741	4,336,755
Investment income:			
Net appreciation in fair value of investments	1,808,985	(544,264)	1,264,721
Total Additions (net)	5,744,999	(143,523)	5,601,476
Deductions			
Benefit payments to pensioners and beneficiaries	1,310,029	350,741	1,660,770
Total Deductions	1,310,029	350,741	1,660,770
CHANGE IN NET POSITION	4,434,970	(494,264)	3,940,706
NET POSITION AT BEGINNING OF YEAR	20,124,047	3,423,313	23,547,360
NET POSITION AT END OF YEAR	\$ 24,559,017	\$ 2,929,049	\$ 27,488,066

E. 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.

F. Commitments and Contingencies

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

Grant Compliance – Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims,

including amounts already collected, may constitute a liability of the applicable funds. The Town expects such amounts, if any, to be immaterial.

Arbitrage – The Town is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties. The Town expects the amount if any, in these situations, to be immaterial.

Electric Light Department – The Town of Littleton acting through its Electric Light Department is a Participant in certain Projects of the Massachusetts Municipal Wholesale Electric Company (MMWEC).

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in and to issue revenue bonds to finance electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other entities and also owns and operates its own electric facilities. MMWEC operates the Stony Brook Intermediate Project and Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has the Nuclear Mix One project, Nuclear Project Three, Nuclear Project Four, Nuclear Project Five and Project Six, which comprise an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by NextEra Energy Seabrook, LLC and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit operated by Dominion Nuclear Connecticut, Inc. The operating license for Seabrook Station extends to March 15, 2050. The operating license for Millstone Unit 3 extends to November 25, 2045.

MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other Utilities (Project Participants) under Power Sales Agreements (PSAs). The Department has entered into PSAs with MMWEC. Under the PSAs, the Department is required to make certain payments to MMWEC solely from Department revenues. Among other things, the PSAs require each Project Participant to pay its pro rata share of MMWEC's costs related to the Project. In addition, should a Project Participant fail to make payment when due, other Projects Participants may be required to increase (step-up) their payments and correspondingly their Participants' share of Project Capability. Project Participants have covenanted to fix, revise, and collect rates at least sufficient to meet their obligations under the PSAs. Each Participant is unconditionally obligated to make payments due to MMWEC whether or not the Project(s) is completed or operating and notwithstanding the suspension and interruption of the output of the Project(s).

Pursuant to the PSAs, the MMWEC Project Participants are liable for their proportionate share of the costs associated with decommissioning the plants, which costs are being funded through monthly Project billings. The Seabrook and Millstone Project Participants are also liable for their proportionate share of the uninsured costs of a nuclear incident that might be imposed under the Price-Anderson Act (Act). Originally enacted in 1957, the Act has been renewed several times. In July 2005, as part of the Energy Policy Act of 2005, Congress extended the Act through the end of 2025.

MMWEC is involved in various legal actions. In the opinion of MMWEC management, the outcome of such litigation or claims will not have a material adverse effect on the financial position of the company.

The total capital expenditures and annual capacity, fuel and transmission costs (which include debt service and decommissioning expenses discussed above) associated with the Light

Department's Project Capability of the Projects in which it participates was \$16,121,056 for the year ended December 31, 2022.

MELD purchases its power through contracts with various power suppliers, including MMWEC. These contracts are subject to certain market factors. Based on current market conditions, the Department anticipates some stability to its power cost expenses over the next few years.

H. 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 is to standardize the reporting of conduit debt obligations by issuers by clarifying the existing definition of conduit debt obligation, among other matters. As amended, the provisions of this Statement are effective for financial reporting periods beginning after December 15, 2021 (fiscal year 2023). The 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 is to improve financial reporting by addressing issued related to public-private and public-public partnership arrangements. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The 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 is to address accounting for subscription-based information technology arrangements to government end users based on the standards established in Statement No. 87, as amended. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The adoption of this standard did not have a material impact on the Town's financial statements.

Future 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.

I. Subsequent Events

On November 17, 2023, the Water Department issued short-term BAN's totaling \$5,941,364, that mature on November 17, 2024 and pay interest at 5.0% per annum. The BAN's were issued for water mains, wells and water treatment purposes.

Subsequent to year end, the Light Department purchased land at 97 Mill Road in Littleton, Massachusetts for \$2,165,785.

IV. Reclassifications

The following reclassifications were made to the Town's beginning balances:

	Governmental Activities	Business-type Activities	Recreation Enterprise
Prior year as presented	\$ 100,979,457	\$54,852,053	\$ 781,005
Reclassify Library Project major fund	-	-	-
Reclassify Recreation Enterprise major fund	781,005	(781,005)	(781,005)
As reclassified	<u>\$ 101,760,462</u>	<u>\$54,071,048</u>	<u>\$ -</u>

	Library Project	Capital Projects	Nonmajor Governmental Funds
Prior year as presented	\$ (895,383)	\$ 2,469,995	\$14,925,855
Reclassify Library Project major fund	895,383	-	(895,383)
Reclassify Recreation Enterprise major fund	-	30,000	751,005
As reclassified	<u>\$ -</u>	<u>\$ 2,499,995</u>	<u>\$14,781,477</u>

TOWN OF LITTLETON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2023

SCHEDULE OF THE TOWN'S 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	1.80%	\$ 30,512,028	\$ 15,569,164	195.98%	52.61%
2021	1.46%	19,636,977	14,917,191	131.64%	61.14%
2020	1.53%	23,466,261	13,713,395	171.12%	53.42%
2019	1.63%	26,056,612	13,118,371	198.63%	49.45%
2018	1.62%	25,332,249	12,191,742	207.78%	46.40%
2017	1.51%	21,432,789	11,686,136	183.40%	49.27%
2016	1.69%	23,959,114	11,081,928	216.20%	45.49%
2015	1.66%	21,397,309	10,782,598	198.44%	46.13%
2014	1.58%	19,021,595	10,367,883	183.47%	47.65%

SCHEDULE OF THE TOWN'S 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	\$ 2,900,040	\$ 3,829,498	\$ (929,458)	\$ 15,802,701	24.23%
2022	2,730,527	4,061,166	(1,330,639)	15,140,949	26.82%
2021	2,355,174	3,281,774	(926,600)	13,919,096	23.58%
2020	2,206,947	3,086,111	(879,164)	13,315,147	23.18%
2019	2,185,944	2,185,944	-	12,374,618	17.66%
2018	2,054,283	3,555,064	(1,500,781)	11,861,428	29.97%
2017	1,875,271	2,575,271	(700,000)	11,248,157	22.90%
2016	1,762,316	1,762,316	-	10,944,337	16.10%
2015	1,711,410	1,711,410	-	10,523,401	16.26%

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 auditor's report.

TOWN OF LITTLETON, 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**

Year Ended June 30,*	Commonwealth's Proportion of the Collective Net Pension Liability	Town's Proportion 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%	\$ 40,886,634	\$ 3,363,325	57.75%
2022	100%	0%	37,629,467	3,019,610	62.03%
2021	100%	0%	46,908,114	5,793,824	50.67%
2020	100%	0%	40,994,283	4,971,268	53.95%
2019	100%	0%	38,067,628	3,857,603	54.84%
2018	100%	0%	36,405,133	3,799,710	54.25%
2017	100%	0%	35,396,068	3,610,631	52.73%
2016	100%	0%	32,386,865	2,626,863	55.38%
2015	100%	0%	24,570,471	1,707,029	61.64%

* Amounts determined for the previous year ended June 30.

Contributions to MTRS are the responsibility of the Commonwealth of Massachusetts.

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 auditor's report.

TOWN OF LITTLETON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - OPEB
YEAR ENDED JUNE 30, 2023

TOWN (EXCLUDING ELECTRIC LIGHT)
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

	Year Ended June 30,						
	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability:							
Service cost	\$ 1,060,820	\$ 1,062,792	\$ 1,225,955	\$ 1,022,757	\$ 923,015	\$ 887,514	\$ 853,379
Interest	1,925,770	1,828,880	2,285,218	2,157,973	1,949,574	1,818,827	1,690,414
Changes in benefit terms	-	-	-	(406,443)	-	-	-
Differences between expected and actual experience	1,475,538	-	(9,876,472)	-	(1,661,369)	-	-
Changes in assumptions	3,572,480	(104,824)	2,019,866	3,264,788	2,595,779	-	-
Benefit payments	(1,310,029)	(1,278,495)	(1,141,254)	(1,179,063)	(1,077,132)	(919,952)	(811,562)
Net change in total OPEB liability	6,724,579	1,508,353	(5,486,687)	4,860,012	2,729,867	1,786,389	1,732,231
Total OPEB liability - beginning of year	29,221,422	27,713,069	33,199,756	28,339,744	25,609,877	23,823,488	22,091,257
Total OPEB liability - end of year (a)	<u>\$ 35,946,001</u>	<u>\$ 29,221,422</u>	<u>\$ 27,713,069</u>	<u>\$ 33,199,756</u>	<u>\$ 28,339,744</u>	<u>\$ 25,609,877</u>	<u>\$ 23,823,488</u>
Plan fiduciary net position:							
Contributions - employer	\$ 3,936,014	\$ 3,289,960	\$ 3,839,864	\$ 3,441,437	\$ 3,498,393	\$ 2,352,890	\$ 1,959,853
Net investment income	1,808,985	(3,538,375)	4,325,944	274,805	664,043	461,845	541,215
Benefit payments	(1,310,029)	(1,278,495)	(1,141,254)	(1,179,063)	(1,077,132)	(919,952)	(811,562)
Net change in Plan fiduciary net position	4,434,970	(1,526,910)	7,024,554	2,537,179	3,085,304	1,894,783	1,689,506
Plan fiduciary net position - beginning of year	20,124,047	21,650,957	14,626,403	12,089,224	9,003,920	7,109,137	5,419,631
Plan fiduciary net position - end of year (b)	<u>\$ 24,559,017</u>	<u>\$ 20,124,047</u>	<u>\$ 21,650,957</u>	<u>\$ 14,626,403</u>	<u>\$ 12,089,224</u>	<u>\$ 9,003,920</u>	<u>\$ 7,109,137</u>
Net OPEB liability - end of year (a) - (b)	<u>\$ 11,386,984</u>	<u>\$ 9,097,375</u>	<u>\$ 6,062,112</u>	<u>\$ 18,573,353</u>	<u>\$ 16,250,520</u>	<u>\$ 16,605,957</u>	<u>\$ 16,714,351</u>
Plan fiduciary net position as a percentage of the total OPEB liability	68.32%	68.87%	78.13%	44.06%	42.66%	35.16%	29.84%
Covered-employee payroll	\$ 25,756,169	Not available	\$ 22,079,971	\$ 23,272,636	\$ 21,401,305	\$ 19,528,449	\$ 20,907,161
Net OPEB liability as a percentage of covered-employee payroll	44.21%	Not available	27.46%	79.81%	75.93%	85.03%	79.95%

Note: 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 accompanying independent auditor's report.

TOWN OF LITTLETON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - OPEB
YEAR ENDED JUNE 30, 2023

ELECTRIC LIGHT DEPARTMENT
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

	Year Ended December 31,					
	2022	2021	2020	2019	2018	2017
Total OPEB liability:						
Service cost	\$ 130,237	\$ 125,833	\$ 85,486	\$ 73,224	\$ 72,190	\$ 69,247
Interest	311,130	303,736	292,609	296,496	294,181	289,872
Changes in benefit terms	-	-	-	(35,012)	-	-
Differences between expected and actual experience	134,972	-	(284,358)	-	(237,629)	-
Changes in assumptions	508,871	-	589,480	313,653	225,921	-
Benefit payments	(350,741)	(289,713)	(354,999)	(329,482)	(320,182)	(289,069)
Net change in total OPEB liability	734,469	139,856	328,218	318,879	34,481	70,050
Total OPEB liability - beginning of year	4,831,746	4,691,890	4,363,672	4,044,793	4,010,312	3,940,262
Total OPEB liability - end of year (a)	<u>\$ 5,566,215</u>	<u>\$ 4,831,746</u>	<u>\$ 4,691,890</u>	<u>\$ 4,363,672</u>	<u>\$ 4,044,793</u>	<u>\$ 4,010,312</u>
Plan fiduciary net position:						
Contributions - employer	\$ 400,741	\$ 339,713	\$ 404,999	\$ 379,482	\$ 370,182	\$ 539,069
Net investment income	(544,264)	319,991	369,616	402,179	(121,795)	235,555
Benefit payments	(350,741)	(289,713)	(354,999)	(329,482)	(320,182)	(289,069)
Net change in Plan fiduciary net position	(494,264)	369,991	419,616	452,179	(71,795)	485,555
Plan fiduciary net position - beginning of year	3,423,313	3,053,322	2,633,706	2,181,527	2,253,322	1,767,767
Plan fiduciary net position - end of year (b)	<u>\$ 2,929,049</u>	<u>\$ 3,423,313</u>	<u>\$ 3,053,322</u>	<u>\$ 2,633,706</u>	<u>\$ 2,181,527</u>	<u>\$ 2,253,322</u>
Net OPEB liability - end of year (a) - (b)	<u>\$ 2,637,166</u>	<u>\$ 1,408,433</u>	<u>\$ 1,638,568</u>	<u>\$ 1,729,966</u>	<u>\$ 1,863,266</u>	<u>\$ 1,756,990</u>
Plan fiduciary net position as a percentage of the total OPEB liability	52.62%	70.85%	65.08%	60.36%	53.93%	56.19%
Covered-employee payroll	\$ 2,919,710	\$ 2,928,053	\$ 2,724,512	\$ 2,668,751	\$ 2,298,919	\$ 2,238,651
Net OPEB liability as a percentage of covered-employee payroll	90.32%	48.10%	60.14%	64.82%	81.05%	78.48%

Note: 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 accompanying independent auditor's report.

TOWN OF LITTLETON, MASSACHUSETTS

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

**SCHEDULE OF CONTRIBUTIONS TO OPEB PLAN
TOWN (EXCLUDING ELECTRIC LIGHT)**

Year Ended	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
June 30, 2023	\$ 1,888,481	\$ 3,936,014	\$ (2,047,533)	25,756,169	15.28%
June 30, 2022	1,642,881	3,289,960	(1,647,079)	Not Available	Not Available
June 30, 2021	2,843,309	3,839,864	(996,555)	22,079,971	17.39%
June 30, 2020	2,519,732	3,441,437	(921,705)	23,272,636	14.79%
June 30, 2019	2,657,431	3,498,393	(840,962)	21,401,305	16.35%
June 30, 2018	2,383,507	2,352,890	30,617	19,528,449	12.05%
June 30, 2017	2,602,241	1,959,853	642,388	20,907,161	9.37%

**SCHEDULE OF INVESTMENT RETURNS
TOWN (EXCLUDING ELECTRIC LIGHT)**

Year Ended	Annual Money-Weighted Rate of Return, Net of Investment Expense
June 30, 2023	8.51%
June 30, 2022	-15.59%
June 30, 2021	26.99%
June 30, 2020	2.11%
June 30, 2019	6.73%
June 30, 2018	5.90%
June 30, 2017	8.66%

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 auditor's report.

TOWN OF LITTLETON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - OPEB
YEAR ENDED JUNE 30, 2023

SCHEDULE OF CONTRIBUTIONS TO OPEB PLAN
ELECTRIC LIGHT DEPARTMENT

Year Ended	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
December 31, 2022	\$ 266,578	\$ 400,741	\$ (134,163)	\$ 2,919,710	13.73%
December 31, 2021	279,193	339,713	(60,520)	2,928,053	11.60%
December 31, 2020	245,767	404,999	(159,232)	2,724,512	14.87%
December 31, 2019	251,092	379,482	(128,390)	2,668,751	14.22%
December 31, 2018	237,533	370,182	(132,649)	2,298,919	16.10%
December 31, 2017	279,074	539,069	(259,995)	2,238,651	24.08%

SCHEDULE OF INVESTMENT RETURNS
ELECTRIC LIGHT DEPARTMENT

Year Ended	Annual Money-Weighted Rate of Return, Net of Investment Expense
December 31, 2022	-15.88%
December 31, 2021	10.48%
December 31, 2020	13.99%
December 31, 2019	18.40%
December 31, 2018	-5.38%
December 31, 2017	12.89%

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 auditor's report.

TOWN OF LITTLETON, 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				
Revenues						
Property taxes	\$ 45,186,385	\$ 45,624,477	\$ 48,506,024	\$ -	\$ 48,506,024	\$ 2,881,547
Payments in lieu of taxes	70,000	70,000	128,606	-	128,606	58,606
Intergovernmental	5,504,496	5,504,496	5,477,575	-	5,477,575	(26,921)
Motor vehicle and other excise	1,721,232	1,721,232	2,545,780	-	2,545,780	824,548
Departmental and other revenue	604,595	604,595	703,123	-	703,123	98,528
Licenses and permits	310,400	310,400	755,450	-	755,450	445,050
Penalties and interest on taxes	110,000	110,000	202,084	-	202,084	92,084
Fines and forfeitures	30,000	30,000	46,090	-	46,090	16,090
Investment income	120,000	120,000	775,132	-	775,132	655,132
Total Revenues	53,657,108	54,095,200	59,139,864	-	59,139,864	5,044,664
Expenditures						
General government	5,637,591	5,714,939	4,781,551	469,789	5,251,340	463,599
Public safety	5,681,273	5,951,720	5,725,092	46,619	5,771,711	180,009
Education	24,854,185	24,831,958	23,695,887	1,107,092	24,802,979	28,979
Public works	3,952,978	3,837,281	2,869,369	793,374	3,662,743	174,538
Health and human services	711,697	714,054	511,870	26,256	538,126	175,928
Culture and recreation	1,056,244	1,056,021	1,004,534	38,832	1,043,366	12,655
Pension and fringe benefits	8,671,690	8,671,690	8,042,494	28,870	8,071,364	600,326
State and county tax assessments	1,395,849	1,395,849	1,224,358	-	1,224,358	171,491
Debt service	3,559,539	3,380,274	3,104,866	-	3,104,866	275,408
Total Expenditures	55,521,046	55,553,786	50,960,021	\$ 2,510,832	53,470,853	2,082,933
Other Financing Sources (Uses)						
Transfers in	1,676,049	1,676,049	1,708,098		1,708,098	32,049
Transfers out	(5,805,886)	(8,048,550)	(8,048,550)		(8,048,550)	-
Total Other Financing Sources (Uses)	(4,129,837)	(6,372,501)	(6,340,452)		(6,340,452)	32,049
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE	<u>(5,993,775)</u>	<u>(7,831,087)</u>	<u>\$ 1,839,391</u>		<u>\$ (671,441)</u>	<u>\$ 7,159,646</u>
Other Budgetary Items						
Prior year encumbrances	1,517,032	1,517,032				
Prior year appropriation deficit	(308,810)	(308,810)				
Free cash	4,785,553	6,622,865				
Total Other Budgetary Items	5,993,775	7,831,087				
Net Budget	<u>\$ -</u>	<u>\$ -</u>				

See notes to the required supplementary information of this schedule.

See accompanying independent auditors' report.

TOWN OF LITTLETON, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2023

I. Pension Plan

Pension Contributions – The Town contributes to the Middlesex Retirement System (the System), a cost-sharing multiple-employer contributory defined benefit pension plan established under Chapter 32 of Massachusetts General Law Chapter 32. 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 pension appropriations are established by the Public Employee Retirement Administration Commission (PERAC) based on a funding schedule approved by the System.

Changes in Assumptions – None.

II. Other Postemployment Benefit Plan

The Town administers a single employer defined benefit healthcare plan that provides health, dental and life insurance benefits (other postemployment benefits) to retirees and their dependents/beneficiaries in accordance with Section 20 of Massachusetts General Law Chapter 32B. The Town is not required to fully fund the actuarially determined contribution.

Methods and assumptions used to determine contribution rates are as follows:

Investment rate of return	6.0%, compounded annually, net of investment expense
Municipal bond rate	3.65% as of June 30, 2023
Discount Rate	6.00%, net of OPEB plan investment expense including inflation.
Inflation	2.50%
Health Care Trend Rate	8.00% decreasing annually to 4.10%
Salary Increases	3.50% per year
Pre-Retirement Mortality	RP-2014 Mortality Table for Blue Collar Employees projected with generational mortality improvement using Scale MP-2021.
Post-Retirement Mortality	RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected with generational mortality improvement using Scale MP-2021.
Disabled Mortality	RP-2014 Mortality Table for Blue Collar Employees set forward one year with full generational mortality improvement using Scale MP-2021.
Actuarial Cost Method	Individual entry age normal

Changes in Assumptions – The discount rate decreased from 6.50% to 6.00%.

III. Budgetary Basis of Accounting

Budgetary Information – An annual budget is legally adopted for the General Fund and the Enterprise Fund. The budget is recommended by the Finance Committee and approved by Town Meeting at the Town’s annual meeting in May. Changes subsequent to the approved Town Meeting budget require majority Town Meeting approval at a Special Town Meeting. Expenditures may not legally exceed appropriations at the department level. Department heads may transfer, without Town Meeting approval, appropriation balances from one account to another within their department or budget, and within the categories of salaries and expenses. At the close of each fiscal year, unencumbered appropriation balances lapse and revert 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 various supplemental budgetary appropriations which resulted in a net increase of approximately \$2.3 million from the original voted budget primarily used for general government (\$0.2 million), public safety (\$0.2 million), housing reserve (\$0.4 million) and stabilization transfers (\$1.4 million). 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:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenue on a budgetary basis			\$ 59,139,864
Stabilization revenues	\$ -	\$ 212,121	212,121
On-behalf pension payments	3,323,923	-	3,323,923
Revenue on a GAAP basis	<u>\$ 3,323,923</u>	<u>\$ 212,121</u>	<u>\$ 62,675,908</u>
Expenditures on a budgetary basis			\$ 50,960,021
OPEB contributions	\$ -	\$ 2,575,985	2,575,985
On-behalf pension payments	3,323,923	-	3,323,923
Water contributed capital	68,550	-	68,550
Sewer budgetary funding	(361,861)	-	(361,861)
Expenditures on a GAAP basis	<u>\$ 3,030,612</u>	<u>\$ 2,575,985</u>	<u>\$ 56,566,618</u>
Transfers on a budgetary basis (net)			\$ (6,340,452)
OPEB contributions	\$ -	\$ 2,575,985	2,575,985
Stabilization transfers	-	(1,993,876)	(1,993,876)
Water contributed capital	68,550	-	68,550
Sewer budgetary funding	(361,861)	-	(361,861)
Transfers on a GAAP basis (net)	<u>\$ (293,311)</u>	<u>\$ 582,109</u>	<u>\$ (6,051,654)</u>

Excess of Expenditures Over Appropriations – During fiscal year 2023, expenditures exceeded appropriations for snow and ice removal by \$165,530. The overage will be funded from available funds in the subsequent fiscal year.