

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF WALPOLE, MASSACHUSETTS

Report on Examination of the
Basic Financial Statements
and Additional Information

Year Ended June 30, 2023



TOWN OF WALPOLE, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

Honorable Members of the Board of Selectmen
Town of Walpole, 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 Walpole, Massachusetts (the "Town") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Town as of June 30, 2023 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 opinion.

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 taken 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 aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules listed under the Required Supplementary Information section in the accompanying table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 10, 2024, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Roselli Clark & Associates

Roselli, Clark and Associates
Certified Public Accountants
Woburn, Massachusetts
January 10, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the Town of Walpole, 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 listed in the table of contents.

Financial Highlights

- The Town's assets and deferred outflows of financial resources exceeded its liabilities and deferred inflows of financial resources at the close of the most recent fiscal year by over \$172.5 million (*total net position*). The Town's total net position increased by over \$20.4 million in fiscal year 2023.
- The Town continues to report a deficit in its unrestricted net position in its governmental activities. This deficit approached \$39.0 million at June 30, 2023. This deficit is due primarily to the recording of liabilities associated with the net OPEB and pension liabilities, which totaled approximately \$98.5 million at June 30, 2023 in the aggregate. These liabilities are applied to the Town's unrestricted net position and represent actuarial estimates of future postemployment benefits payable by the Town for retiree medical insurance and pensions.
- As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of over \$106.2 million, which was over \$9.8 million higher than the prior year. This is mainly attributed to better than anticipated revenue and expenditure results within the General Fund, and the issuance of \$19.7 million of general obligation bonds and \$11.5 million in grant receipts in the current year to fund the construction of the new middle school in Town.
- Of the ending total fund balance in the governmental funds at June 30, 2023, over \$26.7 million is available for spending at the government's discretion as unassigned fund balance. The remainder is earmarked for specific expenditures.
- At June 30, 2023, unassigned fund balance for the General Fund represented approximately 22.1% of total fiscal year 2023 General Fund expenditures, and the total fund balance for the General Fund represented approximately 29.9% of total fiscal year 2023 General Fund expenditures.
- The Town's total combined long-term debt in its governmental activities and business-type activities increased over \$14.6 million in fiscal year 2023 which was mainly attributed to the new issuance of general obligation bonds for the new construction of the Middle School as mentioned above.

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 required supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the Town’s finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town’s assets and deferred outflows of financial resources and liabilities and deferred inflows of financial resources, with the difference between the two reported 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 sick and vacation leave.)

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, highways and streets, sanitation, education, health and human services, culture and recreation, fringe benefits, and debt service. The business-type activities of the Town include water and sewer enterprise funds.

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 that cannot be spent because they are either (a) not in spendable form (i.e., inventory or prepaid items) 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 or in other major funds if balance is in deficit.

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 basic financial statements to help the reader understand the differences, as indicated within the table of contents.

The Town maintains many 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, Capital Projects Fund, School Construction Fund, and ARPA Grant Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation under the heading of Nonmajor Governmental Funds.

The Town adopts an annual appropriated budget for its General Fund and both its Water and Sewer 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 along with the corresponding notes after the footnotes to the financial statements.

Proprietary Funds – *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for enterprise funds of the water and sewer activities.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. These funds provide information on the Town's Private Purpose Trust Funds and the Other Postemployment Benefits Trust Fund.

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 concerning the Town's progress in funding its obligation to provide pension benefits and other postemployment benefits to its employees, as well as the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – General Fund.

Government-wide Financial Analysis

The condensed comparative statements of net position for the two most recent years are as follows:

	Governmental Activities		Business-type Activities		Total	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Assets:						
Current and other assets	\$ 123,087,693	\$ 109,166,423	\$ 16,853,282	\$ 19,204,189	\$ 139,940,975	\$ 128,370,612
Capital assets, net	178,542,280	152,707,989	68,303,398	64,921,484	246,845,678	217,629,473
Total Assets	301,629,973	261,874,412	85,156,680	84,125,673	386,786,653	346,000,085
Deferred Outflows of Resources	26,547,599	17,958,861	2,017,816	837,484	28,565,415	18,796,345
Liabilities:						
Long-term liabilities	10,241,550	6,834,383	161,775	389,934	10,403,325	7,224,317
Other liabilities	205,285,160	173,681,826	18,845,881	18,797,505	224,131,041	192,479,331
Total Liabilities	215,526,710	180,516,209	19,007,656	19,187,439	234,534,366	199,703,648
Deferred Inflows of Resources	7,489,103	11,766,484	805,835	1,227,664	8,294,938	12,994,148
Net Position:						
Net investment in capital assets	130,561,220	116,552,890	56,882,887	54,448,114	187,444,107	171,001,004
Restricted	13,602,045	13,248,876	-	-	13,602,045	13,248,876
Unrestricted	(39,001,506)	(42,251,186)	10,478,118	10,099,940	(28,523,388)	(32,151,246)
Total Net Position	\$ 105,161,759	\$ 87,550,580	\$ 67,361,005	\$ 64,548,054	\$ 172,522,764	\$ 152,098,634

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's total net position increased over \$20.4 million in fiscal year 2023. The net position in governmental activities increased approximately \$17.6 million, while the net position in business-type activities increased over \$2.8 million.

By far, the largest portion of the Town's net position (approximately \$187.4 million) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less related debt used to acquire those assets that is still outstanding, net of unexpended portions. The Town uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in capital assets is reported net of related debt, 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 (over \$13.6 million) represents resources that are subject to external restrictions on how they may be used.

The remaining category of *unrestricted net position* reflects the remainder of net position, a deficit of approximately (\$28.5) million. Surpluses of approximately \$10.5 million in the business-type activities are offset by a deficit of approximately \$39.0 million in governmental activities. This deficit is primarily the result of the reporting of over \$63.7 million in net OPEB and over \$40.3 million in pension liabilities in the Town's governmental and business-type activities. The Town expects that its deficit in unrestricted net position will continue to increase for the foreseeable future primarily due to OPEB.

The condensed comparative statement of activities for the two most recent years are as follows:

	Governmental activities		Business activities		Total	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Revenues:						
Program revenues:						
Charges for services	\$ 12,405,024	\$ 9,777,531	\$ 12,495,074	\$ 11,207,131	\$ 24,900,098	\$ 20,984,662
Operating grants and contributions	26,868,629	25,864,511	254,022	39,244	27,122,651	25,903,755
Capital grants and contributions	15,047,351	2,802,561	1,475,000	1,239,000	16,522,351	4,041,561
General Revenues:						
Property taxes	88,031,684	82,907,971	-	-	88,031,684	82,907,971
Intergovernmental	3,702,323	3,601,065	-	-	3,702,323	3,601,065
Other	9,254,252	5,866,860	985,688	59,811	10,239,940	5,926,671
Total Revenues	155,309,263	130,820,499	15,209,784	12,545,186	170,519,047	143,365,685
Expenses:						
General government	7,244,386	6,784,852	-	-	7,244,386	6,784,852
Public safety	20,052,924	17,794,283	-	-	20,052,924	17,794,283
Education	87,095,679	80,807,454	-	-	87,095,679	80,807,454
Public works	15,186,371	10,602,237	-	-	15,186,371	10,602,237
Health and human services	1,515,272	1,531,792	-	-	1,515,272	1,531,792
Culture and recreation	4,023,699	3,535,322	-	-	4,023,699	3,535,322
Debt service	2,579,753	956,497	-	-	2,579,753	956,497
Water	-	-	6,021,388	5,017,828	6,021,388	5,017,828
Sewer	-	-	6,375,445	5,963,325	6,375,445	5,963,325
Total Expenses	137,698,084	122,012,437	12,396,833	10,981,153	150,094,917	132,993,590
Change in Net Position Before Transfers	17,611,179	8,808,062	2,812,951	1,564,033	20,424,130	10,372,095
Transfers	-	-	-	-	-	-
Change in Net Position	17,611,179	8,808,062	2,812,951	1,564,033	20,424,130	10,372,095
Net Position:						
Beginning of year	87,550,580	78,742,518	64,548,054	62,984,021	152,098,634	141,726,539
End of year	\$ 105,161,759	\$ 87,550,580	\$ 67,361,005	\$ 64,548,054	\$ 172,522,764	\$ 152,098,634

Governmental Activities – Governmental activities increased approximately \$17.6 million from the prior year which was primarily the result of conservative spending due to the current economic and market swings.

Property taxes represented approximately 56.7% and 63.4%, respectively, of total governmental activities revenues in fiscal year 2023 and 2022. Property tax revenues increased over \$5.1 million, or 6.2%, year-over-year. This increase was due primarily to normal statutory property tax increases, new growth and a \$2.5 million increase in debt exclusions related to the debt service on the new middle school project.

Operating grants and contributions represented approximately 17.3% and 19.8% respectively, of total governmental activities revenues in fiscal years 2023 and 2022. Operating grants and contributions increased over \$1.0 million year-over-year due a notable increase in the State-funded pension requirements the Town has as it relates to the Massachusetts Teachers' Retirement System.

No other revenues or dollar changes in revenue were individually significant between fiscal 2023 and 2022.

The majority of expenses were directed to benefit the School Department operations, which continues to be an area the Town commits a majority of its financial resources. Approximately 63.3% percent of total governmental funds' disbursements related to educational services; which is slightly lower than the 66.2% in the prior year. The increase of over \$6.2 million is primarily related to the special teachers' retirement

funding situation and pandemic recovery grant funding. Other significant expenses relate to Public Safety which represented nearly 14.6% of total expenses and was consistent with the prior year, and Public Works which represented 11.1% of total expenses compared to 8.7% in the prior year. All other smaller functional expense categories were consistent with the prior year amounts and not deemed individually significant uses of financial resources.

Business-type Activities – Business-type activities of Water and Sewer Enterprise Funds increased net position by over \$2.8 million. Charges for services increased by approximately \$1.3 million and total expenses increased by almost \$1.4 million. Additionally, current year revenues were positively impacted by approximately \$1.5 million from a water capital grant received in the current year.

Water and sewer expenses represented 100% of total business-type expenses. Of the total expenses, approximately 81.6% pertains to direct operational costs with the remaining costs represented by debt service (approximately 3.3%) and current year depreciation/amortization (approximately 15.1%).

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.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the unassigned fund balance in the General Fund was nearly \$26.7 million, while its total fund balance approached 36.1 million. As a measure of the General Fund liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 22.1% of total fiscal year 2023 General Fund expenditures, while total fund balance represents approximately 29.9% of that same amount. Favorable budgeted versus actual operating results for revenues and expenditures as discussed above, were the primary cause of an increase of approximately \$5.5 million to the total General Fund balance.

The Capital Projects Fund had a restricted fund balance of over \$1.4 million; over \$1.4 million lower than the prior year. Capital spending for the year consisted of other minimal education capital outlays spending, roadways and sidewalks of approximately \$2.6 million and the route 1A field project for approximately \$0.3 million. These expenditures were offset by over \$1.6 million in intergovernmental revenue.

Beginning in fiscal year 2022, the Town began reporting the financial activity and position of its Middle School construction project as a major governmental fund. The fund has a restricted fund balance of over \$55.1 million. Capital spending for the year consisted of construction for the new school of approximately \$26.1 million. These expenditures were offset by approximately \$19.7 million of bond proceeds, transfers from other funds of over \$0.3 million and over \$11.5 million in intergovernmental revenue.

Beginning in fiscal year 2022, the Town began reporting the financial activity and position of its ARPA grant as a major governmental fund. The APRA Grant Fund had approximately \$1.1 million in expenditures related to various projects. The fund reported cash and unearned revenue (liability) of approximately \$3.4 million as of June 30, 2023.

The Town reported total fund balances of over \$13.6 million in the Combined Nonmajor Governmental Funds; over \$13.3 million is restricted due to constraints placed externally by third parties, and approximately \$0.3 million is nonspendable in the form of the corpus of endowments. The funds reported an increase in fund balance from the prior year of approximately \$0.4 million which was primarily the function of timing of receipts versus expenditures.

Proprietary Funds – The Town’s proprietary funds consist of the Water and Sewer Enterprise Funds which provide the same type of information found in the government-wide financial statements under Business-type activities. At year end, the net position of the Water and Sewer Funds were over \$40.8 million and \$26.5 million, respectively.

Fiduciary Funds – The Town’s fiduciary funds are comprised primarily of private purpose trust funds totaling over \$9.6 million and are earmarked for use as educational scholarships or personal assistance to Town residents. Additionally, the fiduciary funds include a fund established to offset the costs of other postemployment benefit expenses, the net position in this OPEB Trust Fund approximates \$9.3 million. Neither fund may be used for Town operating purposes.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget included revisions to the following:

- Approximately \$0.8 million of increased allocations to general government
- Approximately \$1.0 million of increased allocations to public safety
- Approximately \$1.4 million of increased allocations to education
- Approximately \$2.7 million of increased allocations to public works
- Approximately \$1.0 million of increased allocations to culture and recreation
- Approximately \$1.8 million of funding to increase stabilization funds
- Approximately \$1.0 million of increased funding to increase the OPEB Trust Fund

The majority of this net increase was subsidized with appropriations from prior year General Fund operational surpluses (free cash).

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, is approximately \$246.8 million (net of accumulated depreciation) an increase of over \$29.2 million from the prior year. This investment in capital assets includes land, buildings and improvements, infrastructure, machinery, and equipment. The total increase is due to capital investments of over \$36.9 million exceeding depreciation of approximately \$7.7 million.

Major additions to the Town’s governmental capital assets included various infrastructure acquisitions, machinery and equipment, vehicles and the start of the construction of the Middle School in construction in progress. The business-type activities were mostly focused on infrastructure acquisitions.

Additional information on capital assets can be found in Note II, subsection D. of this report.

Long-Term Debt – At the end of the current fiscal year, the Town had total bonded debt outstanding of over \$108.0 million, not including unamortized debt premiums of nearly \$5.6 million. Total net debt increased by over \$14.8 million from the previous year due to new debt issuance of nearly \$19.7 million related to the construction of a Middle School, as previously discussed.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5.0 % of its total assessed valuation of over \$6.1 billion. The current debt limitation for the Town is approximately \$306 million, which is significantly in excess of the Town's outstanding general obligation debt classified as inside the debt limit.

The Town maintains an "AA+" rating from Standard and Poor Investment Services for general obligation debt. 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 short-term and long-term debt can be found in Note II, subsections 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 in setting the 2024 tax rate was approximately 85% of the entire property tax levy. The Town also relies to a moderate degree on its commercial, industrial and personal property real estate tax base which comprise the remainder of the levy. In addition, Chapter 580 f the Acts of 1980, more commonly referred to as Proposition 2 1/2, limits the Town's ability to increase taxes in any one year by more than 2 ½ of the previous year's tax levy. The Town typically taxes at or near its levy limit.
- The Town anticipates state aid for fiscal year 2024 to increase to over \$13.3 million compared to \$11.9 million in the prior year.
- The Town enters fiscal year 2024 with the following financial reserves:
 - Certified free cash of approximately \$13.1 million
 - Combined stabilization funds of over \$12.9 million
- The Town's housing market has been very strong for the past several years. This has been bolstered by mortgage rates at historic lows. Current actions by the Federal Open Market Committee to soften the economy due to inflation have caused mortgage rates to spike during fiscal year 2023. 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.

All the above items were considered when the Town developed its budget for fiscal year 2024, which was approved at its Annual Town Meeting in May 2023. The Town set its tax rate 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, Town Hall, 135 School Street, Walpole, Massachusetts, 02081.

TOWN OF WALPOLE, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 67,861,953	\$ 13,170,388	\$ 81,032,341
Investments	48,096,596	-	48,096,596
Receivables, net of allowance for uncollectibles:			
Property taxes	770,958	-	770,958
Tax titles	1,148,653	-	1,148,653
Excise taxes	377,237	-	377,237
User fees	-	3,674,342	3,674,342
Departmental and other	765,851	8,552	774,403
Intergovernmental	3,881,024	-	3,881,024
Tax foreclosures	185,421	-	185,421
Capital assets, not being depreciated	57,312,106	8,165,896	65,478,002
Depreciable Capital assets, net of depreciation	121,230,174	60,137,502	181,367,676
Total Assets	301,629,973	85,156,680	386,786,653
Deferred Outflows of Resources			
Related to other postemployment benefits liability	11,086,655	266,807	11,353,462
Related to net pension liability	15,460,944	1,751,009	17,211,953
Total Deferred Outflows of Resources	26,547,599	2,017,816	28,565,415
Liabilities			
Current liabilities:			
Warrants and accounts payable	8,956,406	161,775	9,118,181
Retainage payable	1,059,284	-	1,059,284
Unearned revenue	3,371,432	-	3,371,432
Other liabilities	225,860	-	225,860
Noncurrent liabilities:			
Due in one year or less	5,006,758	928,416	5,935,174
Due in more than one year	196,906,970	17,917,465	214,824,435
Total Liabilities	215,526,710	19,007,656	234,534,366
Deferred Inflows of Resources			
Related to other postemployment benefits liability	474,647	11,422	486,069
Related to net pension liability	7,014,456	794,413	7,808,869
Total Deferred Inflows of Resources	7,489,103	805,835	8,294,938
Net Position			
Net investment in capital assets	130,561,220	56,882,887	187,444,107
Restricted for:			
Nonexpendable permanent funds	261,719	-	261,719
Expendable permanent funds	2,453,138	-	2,453,138
Federal and state grants	535,774	-	535,774
Other purposes	10,351,414	-	10,351,414
Unrestricted	(39,001,506)	10,478,118	(28,523,388)
Total Net Position	\$ 105,161,759	\$ 67,361,005	\$ 172,522,764

See accompanying notes to basic financial statements.

TOWN OF WALPOLE, MASSACHUSETTS

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General government	\$ 7,244,386	\$ 3,223,870	\$ 833,443	\$ -	\$ (3,187,073)		\$ (3,187,073)
Public safety	20,052,924	4,913,439	388,726		(14,750,759)		(14,750,759)
Education	87,095,679	2,983,982	24,673,911	11,595,029	(47,842,757)		(47,842,757)
Public works	15,186,371	49,095	301,238	2,822,446	(12,013,592)		(12,013,592)
Health and human services	1,515,272	248,616	474,695	-	(791,961)		(791,961)
Culture and recreation	4,023,699	986,022	196,616	629,876	(2,211,185)		(2,211,185)
Interest expense	2,579,753	-	-	-	(2,579,753)		(2,579,753)
Total Governmental Activities	137,698,084	12,405,024	26,868,629	15,047,351	(83,377,080)		(83,377,080)
Business-Type Activities							
Water	6,021,388	6,794,602	16,985	1,475,000		\$ 2,265,199	2,265,199
Sewer	6,375,445	5,700,472	237,037	-		(437,936)	(437,936)
Total Primary Government	<u>\$ 150,094,917</u>	<u>\$ 24,900,098</u>	<u>\$ 27,122,651</u>	<u>\$ 16,522,351</u>	(83,377,080)	1,827,263	(81,549,817)
General Revenues							
					88,031,684	-	88,031,684
					3,702,323	-	3,702,323
					5,883,773	-	5,883,773
					448,114	-	448,114
					2,922,365	985,688	3,908,053
					100,988,259	985,688	101,973,947
					17,611,179	2,812,951	20,424,130
Net Position							
					87,550,580	64,548,054	152,098,634
					<u>\$ 105,161,759</u>	<u>\$ 67,361,005</u>	<u>\$ 172,522,764</u>

See accompanying notes to basic financial statements.

TOWN OF WALPOLE, MASSACHUSETTS

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	Capital Projects Fund	School Construction Fund	ARPA Grant Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 29,860,772	\$ 681,540	\$ 21,608,807	\$ 3,371,432	\$ 12,415,473	\$ 67,938,024
Investments	12,941,409	-	33,930,861	-	1,148,255	48,020,525
Receivables, net of allowance:						
Property taxes	770,958	-	-	-	-	770,958
Tax titles	1,148,653	-	-	-	-	1,148,653
Excise taxes	377,237	-	-	-	-	377,237
Other	11,890	-	-	-	753,961	765,851
Due from Commonwealth	-	872,798	2,837,669	-	170,557	3,881,024
Tax foreclosures	185,421	-	-	-	-	185,421
Total Assets	45,296,340	1,554,338	58,377,337	3,371,432	14,488,246	123,087,693
Deferred Outflows of Resources						
	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 45,296,340	\$ 1,554,338	\$ 58,377,337	\$ 3,371,432	\$ 14,488,246	\$ 123,087,693
Liabilities						
Warrants and accounts payable	\$ 6,513,731	\$ 118,757	\$ 2,191,678	\$ -	\$ 132,240	\$ 8,956,406
Retainage payable	-	-	1,059,284	-	-	1,059,284
Unearned revenue	-	-	-	3,371,432	-	3,371,432
Other liabilities	225,860	-	-	-	-	225,860
Total Liabilities	6,739,591	118,757	3,250,962	3,371,432	132,240	13,612,982
Deferred Inflows of Resources						
Unavailable revenue - property taxes	1,919,611	-	-	-	-	1,919,611
Unavailable revenue - excise taxes	377,237	-	-	-	-	377,237
Unavailable revenue - other	197,312	-	-	-	753,961	951,273
Total Deferred Inflows of Resources	2,494,160	-	-	-	753,961	3,248,121
Fund Balances						
Nonspendable	-	-	-	-	261,719	261,719
Restricted	-	1,435,581	55,126,375	-	13,340,326	69,902,282
Committed	7,419,505	-	-	-	-	7,419,505
Assigned	1,962,498	-	-	-	-	1,962,498
Unassigned	26,680,586	-	-	-	-	26,680,586
Total Fund Balances	36,062,589	1,435,581	55,126,375	-	13,602,045	106,226,590
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 45,296,340	\$ 1,554,338	\$ 58,377,337	\$ 3,371,432	\$ 14,488,246	\$ 123,087,693

See accompanying notes to basic financial statements.

TOWN OF WALPOLE, MASSACHUSETTS

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

Total Governmental Fund Balances	\$ 106,226,590
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	178,542,280
Other long-term assets are unavailable to pay current-period expenditures	3,248,121
Deferred outflows and inflows of resources to be recognized in future expense are not available resources and, therefore, are not reported in the funds:	
Deferred outflows related to net pension liability	15,460,944
Deferred outflows related to net other postemployment benefits liability	11,086,655
Deferred inflows related to net pension liability	(7,014,456)
Deferred inflows related to net other postemployment benefits liability	(474,647)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Bonds and notes payable	(100,647,888)
Compensated absences	(2,802,684)
Net other postemployment benefits liability	(62,249,968)
Net pension liability	<u>(36,213,188)</u>
Net Position of Governmental Activities	<u><u>\$ 105,161,759</u></u>

See accompanying notes to basic financial statements.

TOWN OF WALPOLE, MASSACHUSETTS

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

	General Fund	Capital Projects Fund	School Construction Fund	ARPA Grant Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Real estate and personal property taxes, net	\$ 87,966,180	\$ -	\$ -	\$ -	\$ -	\$ 87,966,180
Intergovernmental	22,719,913	1,602,773	11,526,726	1,010,351	7,722,916	44,582,679
Motor vehicle and other excises	5,973,687	-	-	-	-	5,973,687
License and permits	1,772,316	-	-	-	-	1,772,316
Departmental and other revenue	3,072,390	-	-	-	7,536,566	10,608,956
Penalties and interest on taxes	448,114	-	-	-	-	448,114
Fines and forfeitures	8,996	-	-	-	-	8,996
Investment income (loss)	2,650,973	-	-	68,965	202,427	2,922,365
Contributions and donations	-	-	-	-	1,035,624	1,035,624
Total Revenues	124,612,569	1,602,773	11,526,726	1,079,316	16,497,533	155,318,917
Expenditures						
Current:						
General government	4,415,551	12,965	-	-	1,146,883	5,575,399
Public safety	13,236,228	-	-	-	2,015,192	15,251,420
Education	54,627,155	91,810	26,093,700	68,303	9,155,068	90,036,036
Public works	9,503,278	2,644,729	-	573,615	757,297	13,478,919
Health and human services	785,145	-	-	-	237,908	1,023,053
Culture and recreation	2,129,175	271,373	-	437,398	1,430,043	4,267,989
Pensions and other fringes	27,961,164	-	-	-	-	27,961,164
State and county tax assessments	1,644,501	-	-	-	-	1,644,501
Debt service:						
Principal maturities	3,456,763	-	-	-	-	3,456,763
Interest	3,041,226	-	-	-	-	3,041,226
Total Expenditures	120,800,186	3,020,877	26,093,700	1,079,316	14,742,391	165,736,470
Excess (Deficiency) of Revenues Over Expenditures	<u>3,812,383</u>	<u>(1,418,104)</u>	<u>(14,566,974)</u>	<u>-</u>	<u>1,755,142</u>	<u>(10,417,553)</u>
Other Financing Sources (Uses)						
Issuance of long-term debt	-	-	19,660,000	-	-	19,660,000
Premium from issuance of bonds and notes	-	-	-	-	591,837	591,837
Transfers in	1,653,810	-	340,000	-	-	1,993,810
Transfers out	-	-	-	-	(1,993,810)	(1,993,810)
Total Other Financing Sources (Uses)	1,653,810	-	20,000,000	-	(1,401,973)	20,251,837
Net Change in Fund Balances	5,466,193	(1,418,104)	5,433,026	-	353,169	9,834,284
FUND BALANCES - Beginning of year	30,596,396	2,853,685	49,693,349	-	13,248,876	96,392,306
FUND BALANCES - Ending of year	\$ 36,062,589	\$ 1,435,581	\$ 55,126,375	\$ -	\$ 13,602,045	\$ 106,226,590

See accompanying notes to basic financial statements.

TOWN OF WALPOLE, MASSACHUSETTS

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

Net Change in Fund Balances - Total Governmental Fund Balances **\$ 9,834,284**

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost is allocated over their estimated useful lives and reported as depreciation expense. The net amounts are reflected here as reconciling items.

Capital outlays	\$ 31,657,482	
Depreciation expense	(5,823,191)	
Net effect of reporting capital assets		25,834,291

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. During the year, the following activity was recorded:

Issuance of debt	(19,660,000)	
Proceeds of debt premium	(590,337)	
Amortization of debt premium	459,973	
Repayments of debt	3,456,763	
Net effect of reporting long-term debt		(16,333,601)

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. (9,654)

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	(80,325)	
Other postemployment benefits	(2,988,014)	
Pension benefits	1,354,198	
Net effect of reporting long-term liabilities		(1,714,141)

Change in Net Position of Governmental Activities **\$ 17,611,179**

See accompanying notes to basic financial statements.

TOWN OF WALPOLE, MASSACHUSETTS

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

Assets	Business-type Activities - Enterprise Funds		
	Water	Sewer	Totals
Current assets:			
Cash and cash equivalents	\$ 8,625,956	\$ 4,544,432	\$ 13,170,388
Receivables:			
User charges and fees	2,018,938	1,655,404	3,674,342
Betterments	-	855	855
Total current assets	10,644,894	6,200,691	16,845,585
Noncurrent assets:			
Receivables:			
Betterments	-	7,697	7,697
Capital assets, not being depreciated	8,067,240	98,656	8,165,896
Capital assets, net of depreciation	38,340,644	21,796,858	60,137,502
Total noncurrent assets	46,407,884	21,903,211	68,311,095
Total Assets	57,052,778	28,103,902	85,156,680
Deferred Outflows of Resources			
Related to other postemployment benefits liability	215,716	51,091	266,807
Related to net pension liability	1,216,954	534,055	1,751,009
Total Deferred Outflows of Resources	1,432,670	585,146	2,017,816
Liabilities			
Current liabilities:			
Warrants payable and accrued expenses	137,884	23,891	161,775
Bond and note indebtedness	878,058	44,101	922,159
Compensated absences	4,945	1,312	6,257
Total current liabilities	1,020,887	69,304	1,090,191
Noncurrent liabilities:			
Bond and note indebtedness	12,011,027	288,312	12,299,339
Compensated absences	14,836	3,934	18,770
Net other postemployment benefits liability	1,211,213	286,866	1,498,079
Net pension liability	2,850,394	1,250,883	4,101,277
Total noncurrent liabilities	16,087,470	1,829,995	17,917,465
Total Liabilities	17,108,357	1,899,299	19,007,656
Deferred Inflows of Resources			
Related to other postemployment benefits liability	9,235	2,187	11,422
Related to net pension liability	552,118	242,295	794,413
Total Deferred Inflows of Resources	561,353	244,482	805,835
Net Position			
Net investment in capital assets	35,098,785	21,784,102	56,882,887
Unrestricted	5,716,953	4,761,165	10,478,118
Total Net Position	\$ 40,815,738	\$ 26,545,267	\$ 67,361,005

See accompanying notes to basic financial statements.

TOWN OF WALPOLE, MASSACHUSETTS

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

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Totals
Operating Revenues			
Charges for services	\$ 6,517,671	\$ 5,435,352	\$ 11,953,023
Other operating income	276,931	265,120	542,051
Total Operating Revenues	<u>6,794,602</u>	<u>5,700,472</u>	<u>12,495,074</u>
Operating Expenses			
Operating costs	4,373,067	5,742,675	10,115,742
Depreciation	1,244,207	632,770	1,876,977
Total Operating Expenses	<u>5,617,274</u>	<u>6,375,445</u>	<u>11,992,719</u>
Total Operating Income	<u>1,177,328</u>	<u>(674,973)</u>	<u>502,355</u>
Nonoperating Income (Expenses)			
Intergovernmental	16,516	237,037	253,553
Betterment (assessment) interest	-	469	469
Investment income	500,684	485,004	985,688
Interest expense	(404,114)	-	(404,114)
Total Nonoperating Revenues (Expenses), net	<u>113,086</u>	<u>722,510</u>	<u>835,596</u>
Income (Loss) Before Capital Contributions	<u>1,290,414</u>	<u>47,537</u>	<u>1,337,951</u>
Capital Contributions			
Intergovernmental	1,475,000	-	1,475,000
Total capital contributions	<u>1,475,000</u>	<u>-</u>	<u>1,475,000</u>
Change in Net Position	2,765,414	47,537	2,812,951
Total Net Position - Beginning of the year	<u>38,050,324</u>	<u>26,497,730</u>	<u>64,548,054</u>
Total Net Position - Ending of the year	<u>\$ 40,815,738</u>	<u>\$ 26,545,267</u>	<u>\$ 67,361,005</u>

See accompanying notes to basic financial statements.

TOWN OF WALPOLE, MASSACHUSETTS

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

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Totals
Cash Flows from Operating Activities			
Receipts from users	\$ 6,918,472	\$ 5,703,047	\$ 12,621,519
Payments to vendors	(3,389,417)	(6,223,906)	(9,613,323)
Payments to employees	(1,020,542)	(308,280)	(1,328,822)
Net Cash Provided By (Used For) Operating Activities	<u>2,508,513</u>	<u>(309,691)</u>	<u>2,198,822</u>
Cash Flows from Noncapital Related Financing Activities			
Intergovernmental subsidies	<u>221,903</u>	<u>237,037</u>	<u>458,940</u>
Net Cash Provided By Noncapital Related Financing Activities	<u>221,903</u>	<u>237,037</u>	<u>458,940</u>
Cash Flows from Capital and Related Financing Activities			
Proceeds from the issuance of bonds and notes	-	79,013	79,013
Acquisition and construction of capital assets	(3,075,310)	(2,183,581)	(5,258,891)
Proceeds from betterment assessment	-	1,324	1,324
Interest expense	(491,205)	-	(491,205)
Intergovernmental grants	1,475,000	-	1,475,000
Principal payments on bonds and notes	(1,430,711)	(36,200)	(1,466,911)
Net Cash Used For Capital and Related Financing Activities	<u>(3,522,226)</u>	<u>(2,139,444)</u>	<u>(5,661,670)</u>
Net Change in Cash and Cash Equivalents	(291,126)	(1,727,094)	(2,018,220)
Cash and Cash Equivalents			
Beginning of year	<u>8,917,082</u>	<u>6,271,526</u>	<u>15,188,608</u>
End of year	<u>\$ 8,625,956</u>	<u>\$ 4,544,432</u>	<u>\$ 13,170,388</u>
Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities			
Operating income (loss)	\$ 1,177,328	\$ (674,973)	\$ 502,355
Depreciation	1,244,207	632,770	1,876,977
Changes in assets, deferred outflows, and liabilities, deferred inflows:			
Receivables (net)	123,870	2,575	126,445
Deferred outflows of resources	(813,974)	(366,358)	(1,180,332)
Deferred inflows of resources	(295,089)	(126,740)	(421,829)
Liabilities (net)	1,072,171	223,035	1,295,206
Net Cash Provided by (Used for) Operating Activities	<u>\$ 2,508,513</u>	<u>\$ (309,691)</u>	<u>\$ 2,198,822</u>
Noncash Capital and Related Financing Activities:			
Amortization of debt premium	\$ 87,091	\$ -	\$ 87,091

See accompanying notes to basic financial statements.

TOWN OF WALPOLE, MASSACHUSETTS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2023

	Private Purpose Trust Funds	Other Postemployment Benefits Trust Fund
Assets		
Cash and cash equivalents	\$ 592,106	\$ 74,892
Investments (at fair value):		
U.S. government securities	189,913	552,332
Corporate fixed income	931,794	335,273
Fixed mutual funds	-	1,257,597
Equities	7,933,757	779,155
Equity mutual funds	-	6,269,044
	9,647,570	9,268,293
Liabilities		
	-	-
Total Liabilities	-	-
Net Position		
Held in trust for private purposes	9,647,570	-
Held in trust for other postemployment benefits	-	9,268,293
	9,647,570	9,268,293
Total Net Position	\$ 9,647,570	\$ 9,268,293

See accompanying notes to basic financial statements.

TOWN OF WALPOLE, MASSACHUSETTS

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

	<u>Private Purpose Trust Funds</u>	<u>Other Postemployment Benefits Trust Fund</u>
Additions		
Contribution and donations:		
Public sources	\$ 2,062	\$ -
Employer	<u>-</u>	<u>4,465,349</u>
Total contributions	<u>2,062</u>	<u>4,465,349</u>
Investment income:		
Interest and dividends	<u>815,276</u>	<u>938,199</u>
Net investment earnings	<u>815,276</u>	<u>938,199</u>
Total Additions	<u>817,338</u>	<u>5,403,548</u>
Deductions		
Educational scholarships	202,569	-
Health and human service assistance	29,638	-
Other fringe benefits	<u>-</u>	<u>2,965,349</u>
Total Deductions	<u>232,207</u>	<u>2,965,349</u>
Change in Net Position	585,131	2,438,199
Total Net Position - Beginning	<u>9,062,439</u>	<u>6,830,094</u>
Total Net Position - Ending	<u>\$ 9,647,570</u>	<u>\$ 9,268,293</u>

See accompanying notes to basic financial statements.

TOWN OF WALPOLE, 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 of Walpole, Massachusetts (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 Norfolk County approximately 18 miles south of Boston and was incorporated as a town in 1724. The governing structure utilizes an open town meeting form, with an elected five-member Board of Selectmen, and an appointed Town Administrator who performs and oversees the daily executive and administrative duties.

The Town provides governmental services for the territory within its boundaries, including police and fire protection, disposal of rubbish and recycling, public education in grades K-12, water and sewer services, street maintenance, parks and recreational facilities, library and elderly services and inspectional services. The water and sewer services, funded almost entirely with user charges, are provided via connections installed and maintained by the Town directly.

Discretely Presented Component Units – 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.

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. The effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though 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. Fiduciary funds are reported by fund type.

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

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

In addition, 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 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 effect of material interfund activity has been removed from the government-wide financial statements.

The governmental fund financial statements are reported using *the current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e., measurable and available). Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for 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 collected within sixty days after the end of the fiscal year and are material. 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 Town applies the susceptible to accrual criteria to intergovernmental revenues. In applying the susceptible to accrual concept, there are two types of revenues. In one, monies must be expended for a specific purpose or project before any amounts will be paid, therefore, revenues

are recognized as expenditures are incurred. In the second, funds are virtually unrestricted and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues when cash is received, or earlier if the susceptible to accrual criteria is met. State aid is accrued as revenue in the year that the funds are appropriated by the Commonwealth of Massachusetts (the “Commonwealth”).

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 capital outlays.

School Construction Fund – is used to account for the construction of the Walpole Middle School.

ARPA Grant Fund – was established as a major fund in fiscal year 2022 and is used to account for the Town’s revenue and expenditure activity of the American Rescue Plan Act of 2021.

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

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

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 fund:

Water Enterprise Fund – is used to account for the operation of the Water Department. 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 Sewer Department. 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:

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

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity

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 are reported at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of its 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 statutory rate of 14% per annum. The Town is allowed to take delinquent tax accounts into tax title fourteen days subsequent to the mailing of demand of delinquent taxes. 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 periodically multiple times annually 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, water and sewer user fees may be secured through a lien process and are considered 100% collectible. Accordingly, an allowance for doubtful accounts is not required. All personal property tax, excise tax and other departmental receivables are shown net of an allowance for doubtful accounts which is determined as those outstanding amounts greater than five years old. Departmental and other receivables primarily consist of ambulance receivables and are shown net of allowance for uncollectible balances based on historical trends and specific account analysis.

Inventories and Prepaid Items – Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase. Certain payments to vendors reflect costs applicable to future accounting periods and may be recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles and infrastructure 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 are reported at acquisition value rather than fair value.

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

Capital assets (excluding land and construction-in-process) are depreciated on a straight-line-basis. The estimated useful lives of capital assets being depreciated are as follows:

Buildings and improvements	10 - 50 years
Machinery and equipment	5 - 30 years
Vehicles	8 - 20 years
Infrastructure	20 - 65 years

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

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

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

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 represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The Town has two types of items that are reported on the government-wide statement of net position which relate to outflows from changes in the net pension liability and changes in the net other postemployment benefit liability. The deferred pensions and OPEB items will be recognized in employee benefits expense in future years as more fully described later in this report.

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 represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The Town has two types of items that are reported on the government-wide statement of net position which relate to inflows from changes in the net pension liability and changes in the net other postemployment benefit liability. The deferred pensions and OPEB items will be recognized in employee benefits expense in future years as more fully described later in this report.

The Town also reports one type of item that arises under a modified accrual basis of accounting which qualifies for reporting in this category. Accordingly, the item unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from three sources: (1) property taxes, (2) excise taxes, and (3) other. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

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

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

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

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

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

Fund Equity – 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 – non-spendable, restricted, committed, assigned, and unassigned as described below:

Non-spendable 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 as the corpus of then endowment.

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

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

Assigned represents amounts that are constrained by the Town's intent to be used for specific purposes but are neither restricted nor committed. The Town has by ordinance authorized the Town Accountant 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.

Stabilization Fund – The Town has established a financial policy targeting for the total of the General Fund undesignated fund balance plus stabilization funds be maintained at a ratio of 5 – 15% of the Town’s General Fund operating revenues.

The Town maintains two stabilization funds – general and capital. The general stabilization fund which may be used for any municipal purpose upon a two-thirds vote of the Town Meeting totaled \$10,400,257 at June 30, 2023. The capital stabilization fund, which totaled \$2,541,151 at June 30, 2023, also requires a two-thirds vote of Town Meeting to expend funds for municipal capital outlays. Both stabilization funds are reported as unassigned fund balance in the General Fund.

Encumbrances - The Town’s encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal purchasing activity approved by the Town Administrator 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 \$1,521,546 of encumbrances from normal purchasing activity in the General Fund as assigned. The Town reports \$7,425,457 of encumbrances from Town Meeting votes in the General Fund as committed. There are no encumbrances reported in any other fund.

The following represent the categorizations of fund balance:

	General Fund	Capital Projects Funds	School Construction Fund	Nonmajor Governmental Funds	Total
Nonspendable:					
Perpetual permanent funds	\$ -	\$ -	\$ -	\$ 261,719	\$ 261,719
Restricted:					
General government	-	55	-	2,713,794	2,713,849
Public safety	-	865,098	-	2,587,763	3,452,861
Education	-	235,586	55,126,375	4,225,273	59,587,234
Public works	-	24,502	-	1,099,399	1,123,901
Health and human services	-	-	-	413,554	413,554
Culture and recreation	-	310,340	-	2,300,543	2,610,883
Committed:					
General government	311,358	-	-	-	311,358
Public safety	921,314	-	-	-	921,314
Education	825,625	-	-	-	825,625
Public works	4,055,719	-	-	-	4,055,719
Health and human services	616	-	-	-	616
Culture and recreation	1,304,873	-	-	-	1,304,873
Assigned:					
General government	363,701	-	-	-	363,701
Public safety	68,633	-	-	-	68,633
Education	557,000	-	-	-	557,000
Public works	430,419	-	-	-	430,419
Health and human services	320	-	-	-	320
Culture and recreation	40,537	-	-	-	40,537
Pension and other fringes	66,888	-	-	-	66,888
Subsequent years' budget	435,000	-	-	-	435,000
Unassigned	26,680,586	-	-	-	26,680,586
Totals	\$ 36,062,589	\$ 1,435,581	\$ 55,126,375	\$ 13,602,045	\$ 106,226,590

E. Excess of Expenditures Over Appropriations and Deficits

Expenditures did not exceed appropriations for the legally adopted budget within the General Fund in the current fiscal year.

No deficits are reported within the major and nonmajor governmental funds at the end of the current fiscal year.

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 the 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 investments in the Massachusetts Municipal Depository Trust, which is administered by the Treasurer of the Commonwealth. In addition, the statutes impose various limitations on the amount and length of investments and deposits. During the fiscal year, the Town did not enter into any repurchase agreements.

Custodial Credit Risk: Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk relative to cash holdings. At year-end, the carrying amount of the Town's deposits was \$55,307,493 and the bank balance was \$61,397,754. Of the Town's bank balance, \$18,158,808 was covered by the Federal Depository Insurance Corporation (FDIC) and Depositors Insurance Fund (DIF), \$8,876,677 was covered under collateralization agreements, and the remainder was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk: Investments – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings. All securities not held directly by the Town will be held in the Town's name and tax identification number by a third-party custodian and evidenced by safekeeping receipts showing individual CUSIP numbers for each security. The investments in MMDT are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The Town's investments in negotiable certificates of deposit are fully covered by FDIC. The Town does not have a formal investment policy related to custodial credit risk.

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

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

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

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

	Totals	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
<u>Investments by fair value level</u>				
Debt securities:				
U.S. Government obligations	\$ 38,798,688	\$ 35,343,641	\$ 3,455,047	\$ -
Corporate bonds	7,625,043	-	7,625,043	-
Fixed income mutual funds	1,495,119	-	1,495,119	-
Certificates of deposit	146,689	-	146,689	-
Total debt securities	48,065,539	35,343,641	12,721,898	-
Equity securities:				
Common stock equities	12,013,309	12,013,309	-	-
Equity mutual funds	6,269,044	-	6,269,044	-
Total equity securities	18,282,353	12,013,309	6,269,044	-
Total investments by fair value level	66,347,892	\$ 47,356,950	\$ 18,990,942	\$ -
<u>Investments measured at amortized cost</u>				
State investment pool (MMDT)	24,885,053			
Money market mutual funds	1,506,794			
Total investments measured at fair value	\$ 92,739,739			

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. U.S. government obligations, corporate bonds, bond mutual funds and negotiable certificates of deposit classified in Level 2 are valued using matrix pricing based on the securities’ relationship to benchmark quoted prices.

The State Treasurer’s investment pool (MMDT) and money market mutual fund investments are valued at amortized cost. The investment advisors of those funds may value their pools 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 pools.

Interest Rate Risk: Deposits – This is the risk that fair value losses may arise due to increasing interest rates. The Town does not have formal investment policies that limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Interest Rate Risk: Investments – Debt securities are subject to interest rate risk. Debt securities may be adversely affected by changes in interest rates, which may negatively affect the fair value of individual debt instruments. The Town does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

Investment Type	Fair Value Total	Time Until Maturity (Years)			
		Less Than 1	1-5	6-10	More Than 10
<u>Investments with Maturities:</u>					
U.S. Government obligations	\$ 38,798,688	\$ 34,122,930	\$ 4,493,117	\$ 182,641	\$ -
Corporate bonds	7,622,613	1,717,000	5,072,214	833,399	-
Certificates of deposit	146,689	146,689	-	-	-
State Treasurer's Investment Pool (MMDT)	24,885,053	24,885,053	-	-	-
Total Investments with Maturities	71,453,043	\$ 60,871,672	\$ 9,565,331	\$ 1,016,040	\$ -
<u>Other Investments:</u>					
Common stock equities	12,013,309				
Equity mutual funds	6,269,044				
Fixed income mutual funds	1,495,119				
Money market mutual funds	1,506,794				
Total Investments	\$ 92,737,309				

Concentration of Credit Risk: Investments – The Town does not place a limit on the amount that may be invested in any one issuer. The Town does maintain approximately 17% of its total investments with MMDT, the only singularly invested entity that exceeds 10% of the monetary holdings.

Credit Risk: Investments – Credit risk is the risk of loss due to the failure of the security issuer or backer. The Town has not adopted a formal policy related to credit risk but does manages credit risk for deposits and investments through its careful selection of depository institutions and investment instruments. The Town also follows the prudent investor standard and invests only in financial instruments that are allowable under Massachusetts General Laws. The Town’s investment in negotiable certificates of deposit and MMDT is unrated; other securities with maturities have their published credit ratings disclosed below.

At June 30, 2023 the credit quality ratings of investments were as follows:

Quality Ratings (Moody's)	Investments with Maturities				Total
	U.S. Government Obligations	Corporate Bonds	Certificates of Deposit	State Treasurer's Investment Pool	
Aaa	\$ 38,798,688	\$ 793,023	\$ -	\$ -	\$ 39,591,711
Aa2	-	84,780	-	-	84,780
Aa3	-	47,899	-	-	47,899
A1	-	1,314,656	-	-	1,314,656
A2	-	1,652,400	-	-	1,652,400
A3	-	745,480	-	-	745,480
Baa1	-	1,281,935	-	-	1,281,935
Baa2	-	1,499,871	-	-	1,499,871
Ba1	-	170,811	-	-	170,811
WR	-	31,758	-	-	31,758
Not Rated	-	-	146,689	24,885,053	25,031,742
Totals	<u>\$ 38,798,688</u>	<u>\$ 7,622,613</u>	<u>\$ 146,689</u>	<u>\$ 24,885,053</u>	<u>\$ 71,453,043</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	\$ 770,958	\$ -	\$ 770,958
Tax liens	1,148,653	-	1,148,653
Excise	377,237	-	377,237
Ambulance	691,912	(198,926)	492,986
Departmental and other	272,865	-	272,865
Intergovernmental	3,881,024	-	3,881,024
Total Governmental Receivables	<u>\$ 7,142,649</u>	<u>\$ (198,926)</u>	<u>\$ 6,943,723</u>

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
Water user charges	\$ 2,009,443	\$ -	\$ 2,009,443
Water liens	9,495	-	9,495
Sub-total Water Fund	<u>2,018,938</u>	<u>-</u>	<u>2,018,938</u>
Sewer user charges	1,652,298	-	1,652,298
Sewer liens	3,107	-	3,107
Sewer betterments	8,551	-	8,551
Sub-total Sewer Fund	<u>1,663,956</u>	<u>-</u>	<u>1,663,956</u>
Total Business-Type Receivables	<u>\$ 3,682,894</u>	<u>\$ -</u>	<u>\$ 3,682,894</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 and other asset type:			
Real estate and personal property taxes	\$ 770,958	\$ -	\$ 770,958
Tax liens	1,148,653	-	1,148,653
Excise	377,237	-	377,237
Tax foreclosures	185,421	-	185,421
Ambulance fees	-	492,986	492,986
Departmental and other	272,866	-	272,866
Total	<u>\$ 2,755,135</u>	<u>\$ 492,986</u>	<u>\$ 3,248,121</u>

C. Interfund Payables, Receivables and Transfers

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

	Transfers In			Total
	General Fund	Capital Projects Fund	School Construction Fund	
Transfers Out				
Nonmajor Governmental Funds	1,653,810	-	340,000	1,993,810 (1,2)
Total	<u>\$ 1,653,810</u>	<u>\$ -</u>	<u>\$ 340,000</u>	<u>\$ 1,993,810</u>

(1) Transfers to General Fund to supplement operating budgets and to close out completed/closed projects.

(2) Transfer of debt premium receipts to Capital Projects Funds and School Construction Fund to fund projects.

D. Capital Assets

Capital asset activity for the year ended June 30, 2023, was as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 28,291,347	\$ 2,120	\$ -	\$ 28,293,467
Construction in progress	2,063,855	26,954,784	-	29,018,639
Total capital assets not being depreciated	30,355,202	26,956,904	-	57,312,106
Capital assets being depreciated:				
Buildings and improvements	134,985,141	2,233,603	-	137,218,744
Infrastructure	72,397,941	72,311	-	72,470,252
Machinery and equipment	12,757,376	1,471,902	-	14,229,278
Vehicles	9,648,114	922,762	-	10,570,876
Total capital assets being depreciated	229,788,572	4,700,578	-	234,489,150
Less accumulated depreciation for:				
Buildings and improvements	(45,020,449)	(2,918,930)	-	(47,939,379)
Infrastructure	(48,950,327)	(1,489,829)	-	(50,440,156)
Machinery and equipment	(8,728,241)	(675,400)	-	(9,403,641)
Vehicles	(4,736,768)	(739,032)	-	(5,475,800)
Total accumulated depreciation	(107,435,785)	(5,823,191)	-	(113,258,976)
Total capital assets being depreciated, net	122,352,787	(1,122,613)	-	121,230,174
Governmental activities capital assets, net	\$ 152,707,989	\$ 25,834,291	\$ -	\$ 178,542,280
Business-Type Activities - Combined:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 7,203,108	\$ -	\$ -	\$ 7,203,108
Construction in progress	2,372,473	141,119	(1,550,804)	962,788
Total capital assets not being depreciated	9,575,581	141,119	(1,550,804)	8,165,896
Capital assets being depreciated:				
Buildings and improvements	20,773,756	560,836	-	21,334,592
Infrastructure	69,742,403	4,803,279	-	74,545,682
Machinery and equipment	10,073,707	1,304,461	-	11,378,168
Vehicles	781,908	-	-	781,908
Total capital assets being depreciated	101,371,774	6,668,576	-	108,040,350
Less accumulated depreciation for:				
Buildings and improvements	(10,293,839)	(425,482)	-	(10,719,321)
Infrastructure	(28,630,688)	(1,046,685)	-	(29,677,373)
Machinery and equipment	(6,479,958)	(358,233)	-	(6,838,191)
Vehicles	(621,386)	(46,577)	-	(667,963)
Total accumulated depreciation	(46,025,871)	(1,876,977)	-	(47,902,848)
Total capital assets being depreciated, net	55,345,903	4,791,599	-	60,137,502
Business-type activities capital assets, net	\$ 64,921,484	\$ 4,932,718	\$ (1,550,804)	\$ 68,303,398

Capital asset activity for Business-type activities by program, for the year ended June 30, 2023, was as follows:

Business-Type Activities - Water:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 7,104,452	\$ -	\$ -	\$ 7,104,452
Construction in progress	1,005,582	141,119	(183,913)	962,788
Total capital assets not being depreciated	8,110,034	141,119	(183,913)	8,067,240
Capital assets being depreciated:				
Buildings and improvements	18,421,206	-	-	18,421,206
Infrastructure	40,374,919	2,536,831	-	42,911,750
Machinery and equipment	8,653,599	581,273	-	9,234,872
Vehicles	240,780	-	-	240,780
Total capital assets being depreciated	67,690,504	3,118,104	-	70,808,608
Less accumulated depreciation for:				
Buildings and improvements	(9,142,994)	(360,627)	-	(9,503,621)
Infrastructure	(16,185,017)	(589,865)	-	(16,774,882)
Machinery and equipment	(5,654,966)	(293,715)	-	(5,948,681)
Vehicles	(240,780)	-	-	(240,780)
Total accumulated depreciation	(31,223,757)	(1,244,207)	-	(32,467,964)
Total capital assets being depreciated, net	36,466,747	1,873,897	-	38,340,644
Water capital assets, net	\$ 44,576,781	\$ 2,015,016	\$ (183,913)	\$ 46,407,884
Business-Type Activities - Sewer:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 98,656	\$ -	\$ -	\$ 98,656
Construction in progress	1,366,891	-	(1,366,891)	-
Total capital assets not being depreciated	1,465,547	-	(1,366,891)	98,656
Capital assets being depreciated:				
Buildings and improvements	2,352,550	560,836	-	2,913,386
Infrastructure	29,367,484	2,266,448	-	31,633,932
Machinery and equipment	1,420,108	723,188	-	2,143,296
Vehicles	541,128	-	-	541,128
Total capital assets being depreciated	33,681,270	3,550,472	-	37,231,742
Less accumulated depreciation for:				
Buildings and improvements	(1,150,845)	(64,855)	-	(1,215,700)
Infrastructure	(12,445,671)	(456,820)	-	(12,902,491)
Machinery and equipment	(824,992)	(64,518)	-	(889,510)
Vehicles	(380,606)	(46,577)	-	(427,183)
Total accumulated depreciation	(14,802,114)	(632,770)	-	(15,434,884)
Total capital assets being depreciated, net	18,879,156	2,917,702	-	21,796,858
Sewer capital assets, net	\$ 20,344,703	\$ 2,917,702	\$ (1,366,891)	\$ 21,895,514

For the fiscal year ended June 30, 2023, depreciation expense was charged to functions/programs within governmental activities and business-type activities funds as follows:

<u>Governmental Activities:</u>		<u>Business-Type Activities:</u>	
General government	\$ 220,479	Water	\$ 1,244,207
Public safety	996,182	Sewer	632,770
Education	1,785,713	Total Business-Type Activities	<u>\$ 1,876,977</u>
Public works	1,938,665		
Health and human services	171,244		
Culture and recreation	710,908		
Total Governmental Activities	<u>\$ 5,823,191</u>		

E. Temporary Debt

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

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

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (“BANS”) or grant anticipation notes. 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. The Town did not have any temporary borrowing activity for the year ended June 30, 2023.

F. Long-Term Obligations

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 a 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, a 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:

Description of Issue	Beginning Balance	Increases	Decreased	Ending Balance	Due Within One year
Governmental Activities:					
General obligation bonds	\$ 79,255,000	\$ 19,660,000	\$ (3,455,000)	\$ 95,460,000	\$ 3,855,000
Unamortized bond premiums	5,053,096	341,600	(459,973)	4,934,723	428,838
Direct borrowings and placements	6,191	-	(1,763)	4,428	1,763
Compensated absences	2,722,359	760,915	(680,590)	2,802,684	700,671
Net other postemployment benefits liability	60,888,014	18,435,084	(17,073,130)	62,249,968	-
Net pension liability	23,075,207	26,177,154	(13,039,173)	36,213,188	-
Total Governmental Activities	<u>\$ 170,999,867</u>	<u>65,374,753</u>	<u>(34,709,629)</u>	<u>\$ 201,664,991</u>	<u>\$ 4,986,272</u>
Business-type Activities: Water					
General obligation bonds	\$ 13,010,000	\$ -	\$ (770,000)	\$ 12,240,000	\$ 800,000
Unamortized bond premiums	735,464	-	(87,091)	648,373	77,346
Direct borrowings and placements	661,423	-	(660,711)	712	712
Compensated absences	18,473	5,926	(4,618)	19,781	4,945
Net other postemployment benefits liability	1,184,713	358,696	(332,196)	1,211,213	-
Net pension liability	1,816,284	2,060,443	(1,026,333)	2,850,394	-
Total Business-type Activities: Water	<u>17,426,357</u>	<u>2,425,065</u>	<u>(2,880,949)</u>	<u>16,970,473</u>	<u>883,003</u>
Business-type Activities: Sewer					
Direct borrowings and placements	289,600	79,013	(36,200)	332,413	44,101
Compensated absences	3,891	2,328	(973)	5,246	1,312
Net other postemployment benefits liability	280,590	84,954	(78,678)	286,866	-
Net pension liability	797,068	904,216	(450,401)	1,250,883	-
Total Business-type Activities: Sewer	<u>1,371,149</u>	<u>1,070,511</u>	<u>(566,252)</u>	<u>1,875,408</u>	<u>45,413</u>
Total Business-type Activities	<u>\$ 18,797,506</u>	<u>\$ 3,495,576</u>	<u>\$ (3,447,201)</u>	<u>\$ 18,845,881</u>	<u>\$ 928,416</u>

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

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

Description of Issue	Interest Rate	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities</u>					
General Obligation Debt	1.00 - 5.00%	\$ 79,255,000	\$ 19,660,000	\$ (3,455,000)	\$ 95,460,000
Massachusetts Clean Water Trust Notes	2.50 - 5.25%	6,191	-	(1,763)	4,428
Total Governmental Activities		<u>79,261,191</u>	<u>19,660,000</u>	<u>(3,456,763)</u>	<u>95,464,428</u>
Add: Unamortized Bond Premiums		<u>5,053,096</u>	<u>341,600</u>	<u>(459,973)</u>	<u>4,934,723</u>
Total General Activities, net		<u>84,314,287</u>	<u>20,001,600</u>	<u>(3,916,736)</u>	<u>100,399,151</u>
<u>Business-Type Activities - Water</u>					
General Obligation Bonds	2.00 - 5.00%	\$ 13,010,000	\$ -	\$ (770,000)	\$ 12,240,000
MA Clean Water Trust Notes	2.50 - 5.25%	661,423	-	(660,711)	712
Total Water Debt		<u>13,671,423</u>	<u>-</u>	<u>(1,430,711)</u>	<u>12,240,712</u>
Add: Unamortized Bond Premiums		<u>735,464</u>	<u>-</u>	<u>(87,091)</u>	<u>648,373</u>
Total Water Debt, net		<u>14,406,887</u>	<u>-</u>	<u>(1,517,802)</u>	<u>12,889,085</u>
<u>Business-Type Activities - Sewer</u>					
MA Water Resources Authority Notes	0.00%	<u>289,600</u>	<u>79,013</u>	<u>(36,200)</u>	<u>332,413</u>
Total Sewer Debt		<u>289,600</u>	<u>79,013</u>	<u>(36,200)</u>	<u>332,413</u>
Total Business-Type Activities		<u>\$ 14,696,487</u>	<u>\$ 79,013</u>	<u>\$ (1,554,002)</u>	<u>\$ 13,221,498</u>

Future Debt Payoff – Debt service requirements on long-term debt at June 30, 2023, are as follows:

Year Ending June 30,	Governmental Activities			
	General Obligation Bonds		Direct Borrowings and Placement	
	Principal	Interest	Principal	Interest
2024	\$ 3,855,000	\$ 3,820,116	\$ 1,763	\$ 177
2025	4,290,000	3,229,539	2,665	67
2026	3,305,000	3,052,925	-	-
2027	3,145,000	2,902,802	-	-
2028	3,275,000	2,754,300	-	-
2029-2033	17,135,000	11,507,806	-	-
2034-2038	16,885,000	8,537,335	-	-
2039-2043	14,785,000	6,011,125	-	-
2044-2048	14,355,000	3,636,056	-	-
2049-2053	14,430,000	1,099,900	-	-
Total	<u>\$ 95,460,000</u>	<u>\$ 46,551,904</u>	<u>\$ 4,428</u>	<u>\$ 244</u>

Year Ending June 30,	Business-type Activities: Water			
	General Obligation Bonds		Direct Borrowings and Placement	
	Principal	Interest	Principal	Interest
2024	\$ 800,000	\$ 426,294	\$ 712	\$ 16,554
2025	760,000	392,769	-	17
2026	770,000	360,994	-	-
2027	780,000	330,656	-	-
2028	800,000	299,006	-	-
2029-2033	4,165,000	1,042,593	-	-
2034-2038	2,920,000	422,163	-	-
2039-2043	1,245,000	80,675	-	-
Total	<u>\$ 12,240,000</u>	<u>\$ 3,355,150</u>	<u>\$ 712</u>	<u>\$ 16,571</u>

Year Ending June 30,	Business-type Activities: Sewer			
	General Obligation Bonds		Direct Borrowings and Placement	
	Principal	Interest	Principal	Interest
2024	\$ -	\$ -	\$ 44,101	\$ -
2025	-	-	44,101	-
2026	-	-	44,101	-
2027	-	-	44,101	-
2028	-	-	44,101	-
2029-2033	-	-	111,908	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 332,413</u>	<u>\$ -</u>

Authorized and Unissued Debt – At June 30, 2023, the Town had authorized, and unissued debt as follows:

<u>Project</u>	<u>Amount</u>
Middle School Construction	\$ 35,815,384
MWRA I&I 12 & 14	330,988
Water Main Replacement	2,900,000
Redundant Line	2,910,000
Eastland Circle	185,985
Total Authorized and Unissued Debt	<u>\$ 42,142,357</u>

III. Other Information

A. Retirement System

System Description – The Town contributes to the Norfolk County Retirement System (the “System”), a cost-sharing, multiple-employer defined benefit pension plan for the Town and other member units deemed eligible by the Norfolk County Retirement Board. The System was established under Chapter 32 of the Commonwealth of Massachusetts General Laws. Standalone audited financial statements for the year ended December 31, 2022, were issued and may be obtained by writing to the Norfolk County Retirement System, 480 Neponset Street, Building 15, Canton, MA 02021.

Current membership in the System for all employers as of December 31, 2022, was as follows:

Retirees and beneficiaries currently receiving benefits	3,855
Active participants	6,902
Inactive with a vested right to benefits or to receive a refund of their contributions	<u>3,399</u>
Total	<u>14,156</u>
Participating employers	<u>42</u>

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

Membership in the System is mandatory for all full-time employees and non-seasonal, part-time employees who, in general, regularly work more than twenty hours per week. Teachers and certain administrative personnel employed by the school department participate in a separate pension plan administered by the Massachusetts Teachers’ Retirement System, which is the legal responsibility of the Commonwealth of Massachusetts. Members of the System do not participate in the Federal Social Security retirement system.

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

Fiduciary Net Position – The elements of the System's basic financial statements (that is, all information about the System's assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position) can be found in the System's full financial statements as of and for the year ended December 31, 2022, which can be obtained by contacting the Retirement Board.

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 the Massachusetts Public Employee Retirement Administration Commission, or 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.

Contributions Requirements – The County 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 \$6,405,620 to the System in fiscal year 2023, which equaled the actuarially determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll was approximately 25.67% in fiscal year 2023.

Pension Expense – The Town recognized \$5,199,472 in pension expense in the statement of activities in fiscal year 2023, which was allocated to all functional expenses that applied.

Net Pension Liability – At June 30, 2023, the Town reported a liability of \$40,314,465 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. These figures were updated by the independent actuary to December 31, 2022. There were no material changes made in this update to the actuarial assumptions (see below) nor were there any material changes to the System's benefit terms since the actuarial valuation.

The Town's proportion of the net pension liability is based on a projection of the Town's long-term share of contributions to the System relative to the projected contributions of all employers. The Town's proportion was approximately 6.971% at December 31, 2022.

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>
Differences between expected and actual experience	\$ 1,327,040	\$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on pension plan investments	15,426,618	7,728,413
Changes in proportion and differences between Town contributions and proportionate share of contributions	458,295	80,456
Total	<u>\$ 17,211,953</u>	<u>\$ 7,808,869</u>

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

Year Ended <u>June 30,</u>	<u>Amounts</u>
2024	\$ 1,148,226
2025	2,277,270
2026	2,120,854
2027	3,856,734
Total	<u>\$ 9,403,084</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	Entry Age Normal Cost Method
Asset valuation method	Market Value
Investment rate of return / Discount rate	7.75%
Inflation rate	3.00%
Projected salary increases	3.5 - 5.5%
Cost of living adjustments	3.0% of the first \$18,000 of benefits
Mortality rates:	The RP-2014 Blue Collar Mortality Table adjusted with Scale MP-2014, fully generational.

Discount Rate – The discount rate used to measure the total pension liability in the January 1, 2022 actuarial valuation report was 7.75%, which was consistent with 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.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the System’s target allocation as of December 31, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	30.50%	7.0%
International equity	15.50%	7.7%
Fixed income	20.50%	4.3%
Real estate	9.50%	6.9%
Private equity	10.00%	9.4%
Hedge fund	11.50%	8.6%
Real assets	2.50%	8.9%
Total	100.00%	

Sensitivity Analysis – The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.75% as well as the Town’s proportionate share of the net pension liability using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

Current Rate	Town Proportionate Share of Net Pension Liability		
	1% Decrease	Current	1% Increase
7.75%	\$ 53,554,465	\$ 40,314,465	\$ 29,058,801

B. Massachusetts Teachers’ Retirement System

Teachers and certain administrative employees of the Town’s school department participate in the Massachusetts Teachers’ Retirement System (“MTRS”), a cost-sharing multiple employer defined benefit pension plan. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. Like the Retirement 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 \$9,069,218 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 0.430923%, 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	\$ 111,557,889	\$ 111,557,889	\$ -
Pension Expense	9,176,725	9,176,725	-

The Town has recognized intergovernmental revenue and pension expense of \$9,176,725 associated with this arrangement.

C. Other Postemployment Benefits (OPEB)

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.

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 July 1, 2022:

Active employees	748
Inactive employees	574
Total	<u>1,322</u>

Contributions – The contribution requirements of OPEB Plan members and the Town are established and may be amended by the Town. Retirees contribute either 20%, 30% or 40% of the cost of non-Medicare plans depending on their date of hire and union affiliation. All retirees contribute 50% of the cost of Medicare supplement 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. For the year ended June 30, 2023, the Town’s average contribution rate was approximately 6.8% of covered payroll.

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

Total OPEB Liability	\$ 73,016,340
Plan fiduciary net position	<u>(9,268,293)</u>
Net OPEB liability	<u>\$ 63,748,047</u>
Plan fiduciary net position as a percentage of the total OPEB liability	12.7%

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	6.07%, net of OPEB plan investment expense, including inflation
Municipal Bond Rate	4.13% as of June 30, 2023
Discount Rate	6.06%, net of OPEB plan investment expense, including inflation
Inflation	2.50% annually as of June 30, 2023 and for future periods
Health Care Trend Rate	4.5%
Salary Increases	3.00% annually as of June 30, 2023 and for future periods
Cost of Living Adjustment	Not applicable
Pre-Retirement Mortality	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females
Post-Retirement Mortality	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females
Disabled Mortality	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females
Actuarial Cost Method	Individual entry age normal

Changes to key assumptions

- There were no significant assumption changes in fiscal year 2023.

Discount Rate – The discount rate used to measure the total OPEB liability was 6.06% which approximated the investment rate of return.

Long Term Expected Rate of Return – The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB Plan investment expense and inflation) are developed for each major asset class.

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

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

Asset Class	Target Allocation	Expected Investment Rate of Return
Domestic Equity - Large Cap	27.25%	4.10%
Domestic Equity - Sm/Mid Cap	15.75%	4.55%
International Equity - Developed Market	12.50%	4.64%
International Equity - Emerging Market	8.25%	5.45%
Domestic - Fixed Income	19.50%	1.05%
International - Fixed Income	4.25%	0.96%
Alternatives	9.00%	5.95%
Real Estate	2.75%	6.25%
Cash and Cash Equivalents	0.75%	0.00%
	100.00%	
Real rate of return		3.82%
Inflation assumption		2.50%
Total nominal rate of return		6.32%
Investment expense		-0.25%
Net investment return		6.07%

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	Current	1% Increase
Net OPEB Liability	6.06%	\$ 74,161,765	\$ 63,748,047	\$ 55,343,590
	Health Care Rate			
	Current Rate	1% Decrease	Trend Rate	1% Increase
Net OPEB Liability	4.50%	\$ 54,260,208	\$ 63,748,047	\$ 75,551,917

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	\$ 69,183,411	\$ 6,830,094	\$ 62,353,317
Changes for the year:			
Service cost	1,770,817	-	1,770,817
Interest	4,280,812	-	4,280,812
Change in assumptions	746,649	-	746,649
Difference between expected and actual experience	-	-	-
Net investment income	-	938,199	(938,199)
Employer contributions	-	4,465,349	(4,465,349)
Benefit payments withdrawn from trust	-	(2,965,349)	2,965,349
Benefit payments	(2,965,349)	-	(2,965,349)
Net changes	3,832,929	2,438,199	1,394,730
Balances at June 30, 2023	<u>\$ 73,016,340</u>	<u>\$ 9,268,293</u>	<u>\$ 63,748,047</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 approximately \$7.525 million. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2023, were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 9,663,210	\$ -
Differences between expected and actual experience	1,690,251	277,455
Differences between expected and actual earnings	-	208,615
Totals	<u>\$ 11,353,461</u>	<u>\$ 486,070</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:

Year Ended June 30,	Amount
2024	\$ 2,666,971
2025	2,837,834
2026	2,934,232
2027	2,234,655
2028	189,982
Thereafter	3,717
Total	<u>\$ 10,867,391</u>

Investment Custody – In accordance with Massachusetts General Laws, the Town Treasurer is the custodian of the OPEB Plan and since the Town has not designated a Board of Trustees, the Town Treasurer is also the Trustee and as such is responsible for the general supervision of the management, investment and reinvestment of the OPEB Plan assets. OPEB Plan assets may be invested and reinvested by the custodian consistent with the prudent investor rule established in Chapter 203C and may, with the approval of the State Retiree Benefits Trust Fund Board of Trustees, be invested in the State Retiree Benefits Trust Fund established in Section 24 of Chapter 32A. OPEB Plan assets must be segregated from other funds and not be subject to the claims of any general creditor of the Town.

Investment Rate of Return – For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 11.89%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Risk Financing

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

The Town is a part of a premium-based self-insurance group which insures for employee health benefits, worker's compensation, and general and personal liability, through the Massachusetts Inter-Local Insurance Association (MIIA). The Town essentially transfers its risk through payment of its annual assessment which is adjusted according to the Town's experience history.

E. Commitments and Contingencies

General – The Town is party to other 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 these other liabilities, if any, at June 30, 2023, cannot be ascertained, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2023.

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

The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

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

IV. Implementation of New GASB Pronouncements

A. 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.

B. Future Year Implementations

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

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

TOWN OF WALPOLE, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEARS 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	6.971%	\$ 40,314,465	\$ 24,955,471	161.55%	68.6%
2021	6.970%	25,688,559	24,111,566	106.54%	79.4%
2020	6.802%	34,740,505	22,858,254	151.98%	70.2%
2019	6.795%	39,891,418	22,085,270	180.62%	64.6%
2018	7.115%	46,313,107	20,596,210	224.86%	58.3%
2017	7.109%	39,312,526	19,899,720	197.55%	63.5%
2016	7.259%	37,893,100	20,389,468	185.85%	61.6%
2015	7.259%	39,431,333	19,301,311	204.29%	58.6%
2014	7.575%	39,293,384	18,692,000	210.21%	60.1%

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	\$ 6,405,620	\$ 6,405,620	\$ -	\$ 25,329,803	25.29%
2022	5,971,806	5,971,806	-	24,473,239	24.40%
2021	5,447,572	5,447,572	-	23,201,128	23.48%
2020	5,089,078	5,089,078	-	22,416,549	22.70%
2019	4,977,378	4,977,378	-	20,905,153	23.81%
2018	4,550,407	4,550,407	-	20,198,216	22.53%
2017	4,637,947	4,637,947	-	20,695,310	22.41%
2016	3,972,135	3,972,135	-	19,590,831	20.28%
2015	3,576,785	3,576,785	-	18,972,380	18.85%

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

See accompanying independent auditors' report.

TOWN OF WALPOLE, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION - MTRS PENSIONS
YEARS ENDED JUNE 30, 2023**

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

Year Ended June 30, *	Commonwealth's Proportionate Share of the Collective Net Pension Liability	Town's Proportion Share of the Collective Net Pension Liability	Commonwealth's Proportionate Share of the Net Pension Liability Associated with the Town	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	100.0%	0.0%	\$ 111,557,889	\$ 9,176,725	0.430923%
2022	100.0%	0.0%	98,727,773	7,922,493	0.434792%
2021	100.0%	0.0%	126,726,463	15,652,534	0.443956%
2020	100.0%	0.0%	113,439,467	13,756,504	0.449906%
2019	100.0%	0.0%	105,083,375	10,648,678	0.443179%
2018	100.0%	0.0%	100,375,328	10,476,465	0.438600%
2017	100.0%	0.0%	101,023,275	10,305,036	0.451845%
2016	100.0%	0.0%	80,241,188	7,319,363	0.440423%
2015	100.0%	0.0%	70,334,640	4,886,485	0.442458%

* Amounts determined for the previous year ended June 30.

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

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

See accompanying independent auditors' report.

TOWN OF WALPOLE, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - OPEB (UNAUDITED)
YEAR ENDED JUNE 30, 2023

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

	June 30,						
	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability:							
Service cost	\$ 1,770,817	\$ 1,442,663	\$ 1,406,293	\$ 1,362,396	\$ 1,335,205	\$ 1,277,708	\$ 1,106,196
Interest	4,280,812	3,619,893	3,464,123	3,353,420	3,163,046	3,356,949	3,159,201
Changes in assumptions	746,649	10,767,713	-	4,432,190	-	-	-
Differences between expected and actual experience	-	2,529,083	-	(191,242)	-	(5,594,789)	-
Benefit payments	(2,965,349)	(2,678,899)	(2,521,831)	(2,263,604)	(1,720,451)	(1,646,365)	(1,948,708)
Net change in total OPEB liability	3,832,929	15,680,453	2,348,585	6,693,160	2,777,800	(2,606,497)	2,316,689
Total OPEB liability - beginning of year	69,183,411	53,502,958	51,154,373	44,461,213	41,683,413	44,289,910	41,973,221
Total OPEB liability - end of year (a)	<u>\$ 73,016,340</u>	<u>\$ 69,183,411</u>	<u>\$ 53,502,958</u>	<u>\$ 51,154,373</u>	<u>\$ 44,461,213</u>	<u>\$ 41,683,413</u>	<u>\$ 44,289,910</u>
Plan fiduciary net position:							
Contributions - employer	\$ 4,465,349	\$ 3,495,813	\$ 3,058,831	\$ 3,055,604	\$ 2,090,678	\$ 2,096,365	\$ 2,298,708
Net investment income	938,199	(417,198)	1,268,076	140,065	304,355	175,742	121,700
Benefit payments	(2,965,349)	(2,678,899)	(2,521,831)	(2,263,604)	(1,574,557)	(1,646,365)	(1,948,708)
Administrative expenses	-	-	-	-	(11,143)	-	(4,381)
Net change in Plan fiduciary net position	2,438,199	399,716	1,805,076	932,065	809,333	625,742	467,319
Plan fiduciary net position - beginning of year	6,830,094	6,430,378	4,625,302	3,693,237	2,883,904	2,258,162	1,790,843
Plan fiduciary net position - end of year (b)	<u>\$ 9,268,293</u>	<u>\$ 6,830,094</u>	<u>\$ 6,430,378</u>	<u>\$ 4,625,302</u>	<u>\$ 3,693,237</u>	<u>\$ 2,883,904</u>	<u>\$ 2,258,162</u>
Net OPEB liability - end of year (a) - (b)	<u>\$ 63,748,047</u>	<u>\$ 62,353,317</u>	<u>\$ 47,072,580</u>	<u>\$ 46,529,071</u>	<u>\$ 40,767,976</u>	<u>\$ 38,799,509</u>	<u>\$ 42,031,748</u>
Plan fiduciary net position as a percentage of the total OPEB liability	12.7%	9.9%	12.0%	9.0%	8.3%	6.9%	5.1%
Covered payroll	\$ 65,437,953	\$ 63,531,993	\$ 57,444,442	\$ 55,771,303	\$ 53,657,303	\$ 51,842,805	\$ 45,154,262
Net OPEB liability as a percentage of covered payroll	97.4%	98.1%	81.9%	83.4%	76.0%	74.8%	93.1%

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 independent auditors' report.

TOWN OF WALPOLE, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION - OPEB (UNAUDITED)
YEARS ENDED JUNE 30, 2023**

**SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS**

	June 30,						
	2023	2022	2021	2020	2019	2018	2017
Actuarially-determined contribution	\$ 4,917,479	\$ 4,556,366	\$ 3,919,531	\$ 4,787,117	\$ 4,498,251	\$ 4,634,657	\$ 4,265,397
Contributions in relation to the actuarially-determined contribution	(4,465,349)	(3,495,813)	(3,058,831)	(3,055,604)	(2,090,678)	(2,096,365)	(2,298,708)
Contribution deficiency (excess)	<u>\$ 452,130</u>	<u>\$ 1,060,553</u>	<u>\$ 860,700</u>	<u>\$ 1,731,513</u>	<u>\$ 2,407,573</u>	<u>\$ 2,538,292</u>	<u>\$ 1,966,689</u>
Covered payroll	\$ 65,437,953	\$ 63,531,993	\$ 57,444,442	\$ 55,771,303	\$ 53,657,303	\$ 51,842,805	\$ 45,154,262
Contribution as a percentage of covered payroll	6.8%	5.5%	5.3%	5.5%	3.9%	4.0%	5.1%
Valuation Date	July 1, 2021						
Amortization Period	30 years						
Investment rate of return	6.07%						
Municipal bond rate	4.13%						
Single equivalent discount rate	6.06%						
Healthcare cost trend rates	4.50%						
Salary increases	3.00%						
Inflation	2.50%						
Actuarial Cost Method	Individual Entry Age Normal (for all years presented)						
Asset Valuation Method	Market Value of Assets as of Reporting Date (for all years presented)						

**SCHEDULE OF INVESTMENT RETURNS
LAST 10 FISCAL YEARS**

	June 30,						
	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	11.89%	-6.02%	26.38%	3.22%	8.74%	6.68%	5.87%

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

See independent auditors' report.

TOWN OF WALPOLE, 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						
Real estate and personal property taxes	\$ 87,531,526	\$ 87,699,026	\$ 87,966,180	\$ -	\$ 87,966,180	\$ 267,154
Intergovernmental	11,895,504	11,895,504	13,543,188	-	13,543,188	1,647,684
Motor vehicle and other excises	4,700,000	4,700,000	5,973,687	-	5,973,687	1,273,687
License and permits	1,100,000	1,100,000	1,772,316	-	1,772,316	672,316
Departmental and other revenue	1,668,000	1,668,000	3,072,390	-	3,072,390	1,404,390
Penalties and interest on taxes	230,000	230,000	448,114	-	448,114	218,114
Fines and forfeitures	15,000	15,000	8,996	-	8,996	(6,004)
Investment income	218,000	218,000	2,327,933	-	2,327,933	2,109,933
Total Revenues	<u>107,358,030</u>	<u>107,525,530</u>	<u>115,112,804</u>	<u>-</u>	<u>115,112,804</u>	<u>7,587,274</u>
EXPENDITURES						
General government	5,558,832	6,391,084	4,863,203	675,059	5,538,262	852,822
Public safety	13,591,385	14,621,086	13,236,228	989,947	14,226,175	394,911
Education	54,719,294	56,118,349	54,627,154	1,382,625	56,009,779	108,570
Public works	12,494,596	15,227,093	9,791,449	4,486,138	14,277,587	949,506
Health and human services	877,975	877,975	785,145	936	786,081	91,894
Culture and recreation	2,521,359	3,570,359	2,129,175	1,345,410	3,474,585	95,774
Pension and other fringe benefits	18,799,942	18,799,942	18,117,940	66,888	18,184,828	615,114
State and county tax assessments	1,940,842	1,940,842	1,644,501	-	1,644,501	296,341
Debt service	6,662,919	6,662,919	6,497,989	-	6,497,989	164,930
Total Expenditures	<u>117,167,144</u>	<u>124,209,649</u>	<u>111,692,784</u>	<u>\$ 8,947,003</u>	<u>120,639,787</u>	<u>3,569,862</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	2,757,092	3,417,092	3,420,902		3,420,902	3,810
Transfers out	(941,500)	(3,741,500)	(3,741,500)		(3,741,500)	-
Total Other Financing Sources (Uses)	<u>1,815,592</u>	<u>(324,408)</u>	<u>(320,598)</u>		<u>(320,598)</u>	<u>3,810</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE						
	<u>(7,993,522)</u>	<u>(17,008,527)</u>	<u>\$ 3,099,422</u>		<u>\$ (5,847,581)</u>	<u>\$ 11,160,946</u>
Other budgetary items:						
Undesignated surplus (free cash)	-	8,965,005				
Overlay	400,000	450,000				
Prior year encumbrances	<u>7,593,522</u>	<u>7,593,522</u>				
Net Budget	<u>\$ -</u>	<u>\$ -</u>				

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

TOWN OF WALPOLE, MASSACHUSETTS

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023**

An annual budget is legally adopted for the General Fund and the Enterprise Fund. Financial orders are initiated by the Select Board, recommended by the Town Finance Committee and approved by the Town Meeting at the Town’s annual meeting in May. Expenditures may not legally exceed appropriations at the department level, or in the categories of personnel and non-personnel expenses. 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 personnel and non-personnel. The Town Meeting must approve any transfer of unencumbered appropriation balances between departments. 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 approximately \$7.0 million in supplemental budgetary appropriations, for nearly all government operation classifications, and approximately \$2.8 million in transfers to other funds.

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.

The Town’s general fund is prepared on a basis other than GAPP. The “actual” results column of the Schedule of Revenues, Expenditures and Changes in Fund Equity – Budgetary Basis is presented on a budgetary basis to provide a meaningful comparison with the budget. A reconciliation is provided below:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis	\$ -	\$ -	\$ 115,112,804
Stabilization investment income	-	323,040	323,040
On-behalf payments by other government	9,176,725	-	9,176,725
Revenues on a GAAP basis	<u>\$ 9,176,725</u>	<u>\$ 323,040</u>	<u>\$ 124,612,569</u>
Expenditures on a budgetary basis	\$ -	\$ -	\$ 111,692,783
On-behalf payments by other government	9,176,725	-	9,176,725
OPEB trust transfers reported as expenditures	-	1,500,000	1,500,000
Expenditure recognition differences	197,770	-	197,770
Enterprise fund indirect costs reported as expenditures	-	(1,767,092)	(1,767,092)
Expenditures on a GAAP basis	<u>\$ 9,374,495</u>	<u>\$ (267,092)</u>	<u>\$ 120,800,186</u>
Other financing sources (uses) on a budgetary basis	\$ -	\$ -	\$ (320,598)
Transfers related to OPEB	-	1,500,000	1,500,000
Enterprise fund indirect costs reported as expenditures	-	(1,767,092)	(1,767,092)
Stabilization transfers	-	2,241,500	2,241,500
Other financing sources (uses) on a GAAP basis	<u>\$ -</u>	<u>\$ 1,974,408</u>	<u>\$ 1,653,810</u>