

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants



TOWN OF MIDDLETON, MASSACHUSETTS

Report on Examination of the Basic Financial Statements and
Additional Information

Year Ended June 30, 2024

TOWN OF MIDDLETON, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Select Board
Town of Middleton, 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 Middleton, Massachusetts, (the "Town") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents, except for the Middleton Electric Light Department "the Light Department" "the Electric Light Department" or "MELD", which is as of December 31, 2023 and is a Town Department reported as an enterprise fund and part of the Town's business-type funds.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2024, 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, 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, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers these to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2025 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance

Roselli, Clark & Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
March 11, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the Town of Middleton, 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, 2024 (December 31, 2023 for the Light Department). We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information found in this report.

Financial Highlights

- The assets and deferred outflows of financial resources exceeded its liabilities and deferred inflows of financial resources at the close of the most recent fiscal year by over \$61.4 million (*total net position*).
- The Town’s total net position increased by approximately \$9.6 million year-over-year. The increase from operations was the result of an increase in governmental activities of approximately \$5.6 million and by an approximately \$4.1 million increase from Light Department operations.
- The Town’s total long-term debt in its governmental activities decreased by approximately \$2.0 million due to regular scheduled maturities.
- As of the close of the current fiscal year, the Town’s governmental funds balance sheet reported a combined ending fund balance of approximately \$81.5 million, which was approximately \$1.1 million higher than the prior year, primarily the result of the positive operations in the general fund of nearly \$4.3 million reduced by over \$3.9 million of capital expenditures and revenues exceeding expenditures by nearly \$0.7 million in various nonmajor governmental funds. Of the ending fund balance, approximately \$12.5 million is *available for spending* at the government’s discretion as *unassigned fund balance*. The remainder is earmarked for specific expenditures or nonspendable.

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of the Town’s assets and deferred outflows of resources and its liabilities and deferred inflows of 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 pay).

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 consist completely of Light Department activities.

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

Accounting guidelines 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 negative.

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.

The Town maintains several 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. Data from the other governmental funds are combined into a single, aggregated presentation.

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

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 Light Department.

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.

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.

Government-Wide Financial Analysis

The following table represents the condensed statement of net position:

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Assets						
Current and other assets	\$ 90,587,107	\$ 88,010,060	\$ 24,425,054	\$ 21,200,422	\$ 115,012,161	\$ 109,210,482
Capital assets, net	58,517,202	56,057,774	12,979,197	12,457,605	71,496,399	68,515,379
Total assets	149,104,309	144,067,834	37,404,251	33,658,027	186,508,560	177,725,861
Deferred outflows of resources	4,831,603	5,849,609	1,711,545	1,720,477	6,543,148	7,570,086
Liabilities						
Long-term liabilities	107,718,406	113,487,866	4,695,450	3,719,291	112,413,856	117,207,157
Other liabilities	9,502,737	7,825,886	1,328,742	1,957,776	10,831,479	9,783,662
Total liabilities	117,221,143	121,313,752	6,024,192	5,677,067	123,245,335	126,990,819
Deferred inflows of resources	7,524,589	4,972,562	873,414	1,556,244	8,398,003	6,528,806
Net Position						
Net investment in capital assets	41,830,767	40,978,977	12,979,197	12,457,605	54,809,964	53,436,582
Restricted	9,149,194	8,317,889	-	-	9,149,194	8,317,889
Unrestricted	(21,789,781)	(25,665,737)	19,238,993	15,687,588	(2,550,788)	(9,978,149)
Total Net Position	\$ 29,190,180	\$ 23,631,129	\$ 32,218,190	\$ 28,145,193	\$ 61,408,370	\$ 51,776,322

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by over \$61.4 million (*total net position*), which represents an approximate \$9.6 million increase from the prior year’s balance.

The largest portion (\$54.8 million) of the Town’s overall net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town’s investment in its capital assets is reported net of related debt, 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 significant portion of the Town’s total net position (\$9.1 million) represents resources that are subject to external restrictions on how they may be used.

The remaining category represents *unrestricted net position* which is currently in a deficit position of nearly \$2.6 million. A surplus of over \$19.2 million in the business-type activities is offset by a deficit of

nearly \$21.8 million in the governmental activities. The business-type surplus may be used to meet the ongoing obligations of the business-type activities. The governmental activities deficit is primarily the result of approximately \$36.1 million in obligations related to OPEB and pensions. The Town expects that its deficit in unrestricted net position will continue to increase for the foreseeable future until a mechanism to more adequately fund its annual OPEB obligation is in place.

The following table represents the condensed statement of changes in net position:

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Revenues						
Program revenues:						
Charges for services	\$ 3,877,464	\$ 4,344,935	\$ 15,272,081	\$ 14,703,445	\$ 19,149,545	\$ 19,048,380
Operating grants and contributions	5,130,528	5,077,676	382,689	394,670	5,513,217	5,472,346
Capital grants and contributions	992,811	781,837	-	-	992,811	781,837
General revenues:						
Property taxes	37,741,887	36,012,167	-	-	37,741,887	36,012,167
Excise taxes	3,093,883	2,807,903	-	-	3,093,883	2,807,903
Unrestricted investment earnings	3,989,983	1,184,283	985,481	(1,480,569)	4,975,464	(296,286)
Other	1,135,088	903,930	-	-	1,135,088	903,930
Total Revenues	55,961,644	51,112,731	16,640,251	13,617,546	72,601,895	64,730,277
Expenses						
General government	3,511,577	3,239,803	-	-	3,511,577	3,239,803
Public safety	6,966,552	7,020,390	-	-	6,966,552	7,020,390
Education	32,623,624	30,809,927	-	-	32,623,624	30,809,927
Public works	3,518,715	3,326,785	-	-	3,518,715	3,326,785
Health and human services	822,129	789,109	-	-	822,129	789,109
Culture and recreation	1,283,401	1,162,838	-	-	1,283,401	1,162,838
Debt service	1,676,595	1,597,689	-	-	1,676,595	1,597,689
Electric light	-	-	12,567,254	13,954,994	12,567,254	13,954,994
Total Expenses	50,402,593	47,946,541	12,567,254	13,954,994	62,969,847	61,901,535
Change in net position before transfers	5,559,051	3,166,190	4,072,997	(337,448)	9,632,048	2,828,742
Transfers	-	262,979	-	(262,979)	-	-
Change in net position	5,559,051	3,429,169	4,072,997	(600,427)	9,632,048	2,828,742
Net position, beginning of year	23,631,129	20,201,960	28,145,193	28,745,620	51,776,322	48,947,580
Net position, end of year	\$ 29,190,180	\$ 23,631,129	\$ 32,218,190	\$ 28,145,193	\$ 61,408,370	\$ 51,776,322

Governmental Activities – Total revenues in fiscal year 2024 in the Town's governmental activities increased over \$4.8 million from fiscal year 2023. This increase was primarily due to higher property tax revenues of over \$1.7 million and increased investment earnings of over \$2.8 million from higher interest rates. All other revenue categories experienced minor increases and decreases that aggregated to the remaining net increase. The greatest revenue areas were property taxes which represented 67.4% of revenues. The increase was in line with the statutorily allowed increase from year to year and was expected. No other revenue sources were greater than 10% of total revenues in fiscal years 2024 or 2023.

Total expenses for the current fiscal year were over \$50.4 million which was a \$2.5 million increase from the prior year. Education represents by far the largest expense category for the Town. In fiscal year 2024, education expenses represented approximately 64.7% of total expenses, up slightly from 64.3% in the prior year. The Town continues to fund education expenses above the minimum state requirements. Public safety expenses represented 13.8% of total fiscal year 2023 expenses, down from 14.6% in the prior year. No other expense types were greater than 10% of total expenses in fiscal years 2024 and 2023.

Business-Type Activities – Revenues for 2023 were over \$16.6 million, an increase of over \$3.0 million (22.2%). The change in customer sales increased year-to-year with an increase of nearly \$0.6 million. However, the largest increase was nearly \$2.5 million in interest and investment income, with interest rates rising and investment fair values increasing, causing an overall gain on investment income.

Expenses for 2023 were nearly \$12.6 million, a decrease of nearly \$1.7 million (11.6%). The primary activity resulting in this change was a reduction in purchased power costs, as a result of open market electric purchase costs decreasing. Other expenses decreased from a combination of engineering and component installations, as well as personnel benefits costs.

Government Funds Financial Analysis

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

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

As of the close of the current fiscal year, the Town’s governmental funds balance sheet reported a combined ending fund balance of approximately \$81.5 million, which was approximately \$1.1 million higher than the prior year, primarily the result of the positive operations in the general fund of nearly \$4.3 million reduced by over \$3.9 million of capital expenditures and revenues exceeding expenditures by nearly \$0.7 million in various nonmajor governmental funds. Of the ending fund balance, approximately \$12.5 million is *available for spending* at the government’s discretion as *unassigned fund balance*. The remainder is earmarked for specific expenditures or nonspendable.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was nearly \$12.6 million, while total general fund balance was nearly \$16.4 million. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 26.4% of total general fund expenditures, while total fund balance represents approximately 34.4% of that same amount. Fund balance increased nearly \$4.3 million as positive operations of \$5.2 million were offset by the budgetary use of approximately \$2.2 million of surplus fund balance during the year.

The Town maintains the capital projects major fund to account for its various capital projects. The Town reported a restricted fund balance of nearly \$56.8 million, a decrease of approximately \$3.9 million over the prior year. The decrease was primarily the result of spending on costs for the new municipal building complex.

The Town also maintains the ARPA grant major fund to account for the activity of its ARPA federal grant. The fund reported no fund balance as nearly \$2.7 million in federal funds are reported as unearned revenue which will be expended in subsequent years once allowable activities have been identified. Expenditures in the current year were approximately \$0.2 million.

The Town’s aggregate nonmajor funds include the Town’s special revenue funds and trust funds. The fund balances in the nonmajor funds increased approximately \$0.7 million from the prior year to a total of over \$8.3 million. The increase was primarily due to unspent water funds (\$0.5 million) and other one-time grants and gifts. The fund reports unassigned deficits of over \$0.1 million, over \$8.2 million as restricted and the remainder is nonspendable.

Proprietary Funds – The Town’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the year, net position of the Light Department was over \$32.2 million.

Fiduciary Fund – The Town’s fiduciary fund is comprised of the Town and Light Department’s OPEB trusts and private purpose trust funds. The Town OPEB trust increased over \$0.4 million while the Light Department OPEB trust increased nearly \$0.2 million, primarily due to the impact of the net appreciation of trust investments which have differing year-ends. The private purpose trust funds net position was a slight increase of approximately \$45,000 from higher investment earnings.

General Fund Budgetary Highlights

A budget to actual schedule for the general fund has been provided as required supplementary information. During the fiscal year, Town Meeting increased appropriations approximately \$0.5 million as more fully described in the notes to required supplementary information.

Capital Asset and Debt Administration

Capital Assets – The Town’s investment in capital assets for its governmental and business-type activities as of June 30, 2024, amounts to nearly \$71.5 million, net of accumulated depreciation/amortization. This investment in capital assets includes land and land improvements, buildings and improvements, machinery and equipment and infrastructure. The balance increased approximately \$3.0 million as additions were higher than depreciation/amortization. Additions were primarily related to municipal facilities projects, roadway improvements and departmental equipment purchases.

Additional information on the Town capital assets can be found in Note II, Section C of this report.

Long-term Debt – At June 30, 2024, the Town had total bonded debt outstanding of approximately \$70.0 million, all reported in the governmental activities. Debt decreased approximately \$2.0 million due to regular scheduled maturities.

Standard and Poor’s has assigned a bond rating of AA+ for its general obligation debt.

Additional information on the Town’s debt can be found in Note II, Sections E, F and G 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 when setting the 2025 tax rate will be approximately 84% of the entire real estate tax levy. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town’s ability to increase taxes in any one year by more than 2 ½% of the previous year tax levy without a ballot override by the voters.
- 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.

- The Town anticipates receiving approximately \$0.1 million more in state aid for 2025 as in the previous fiscal year based on state budget estimates.

The above items were considered when the Town accepted its budget for fiscal year 2025 at the May 2024 Town Meeting.

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 Accountant, 48 South Main Street, Middleton, Massachusetts 01949.

TOWN OF MIDDLETON, MASSACHUSETTS

STATEMENT OF NET POSITION
JUNE 30, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 20,905,751	\$ 5,939,689	\$ 26,845,440
Investments	67,151,612	12,185,857	79,337,469
Receivables, net:			
Property taxes	1,271,376	-	1,271,376
User charges	18,373	1,626,273	1,644,646
Departmental and other	771,534	-	771,534
Inventory	-	803,174	803,174
Prepaid expenses	-	3,137,229	3,137,229
Other assets	-	1,881	1,881
Tax foreclosures	468,461	-	468,461
Equity investment in joint venture	-	300,000	300,000
Net other postemployment benefits asset	-	430,951	430,951
Capital assets not being depreciated or amortized	17,182,788	2,238,718	19,421,506
Capital assets, net of accumulated depreciation/amortization	<u>41,334,414</u>	<u>10,740,479</u>	<u>52,074,893</u>
Total Assets	149,104,309	37,404,251	186,508,560
Deferred Outflows of Resources			
Related to Pensions	3,332,630	1,375,450	4,708,080
Related to OPEB	<u>1,498,973</u>	<u>336,095</u>	<u>1,835,068</u>
Total Deferred Outflows of Resources	4,831,603	1,711,545	6,543,148
Liabilities			
Warrants and accounts payable	2,599,436	950,768	3,550,204
Accrued payroll and withholdings	1,019,021	-	1,019,021
Accrued interest	165,389	-	165,389
Unearned revenue	2,688,262	-	2,688,262
Tax refunds payable	232,000	-	232,000
Customer deposits	-	319,003	319,003
Other liabilities	364,741	-	364,741
Noncurrent liabilities:			
Due within one year	2,433,888	58,971	2,492,859
Due in more than one year	<u>107,718,406</u>	<u>4,695,450</u>	<u>112,413,856</u>
Total Liabilities	117,221,143	6,024,192	123,245,335
Deferred Inflows of Resources			
Related to Pensions	711,233	250,698	961,931
Related to OPEB	<u>6,813,356</u>	<u>622,716</u>	<u>7,436,072</u>
Total Deferred Inflows of Resources	7,524,589	873,414	8,398,003
Net Position			
Net investment in capital assets	41,830,767	12,979,197	54,809,964
Restricted for:			
Nonexpendable permanent funds	215,121	-	215,121
Expendable permanent funds	134,689	-	134,689
Grants and gifts	1,607,988	-	1,607,988
Other specific purposes	7,191,396	-	7,191,396
Unrestricted	<u>(21,789,781)</u>	<u>19,238,993</u>	<u>(2,550,788)</u>
Total Net Position	\$ 29,190,180	\$ 32,218,190	\$ 61,408,370

See accompanying notes to basic financial statements.

TOWN OF MIDDLETON, MASSACHUSETTS

STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 3,511,577	\$ 730,360	\$ 46,066	\$ 360,000	\$ (2,375,151)		\$ (2,375,151)
Public safety	6,966,552	1,621,706	11,676	113,974	(5,219,196)		(5,219,196)
Education	32,623,624	525,281	4,782,673	-	(27,315,670)		(27,315,670)
Public works	3,518,715	883,563	6,300	453,483	(2,175,369)		(2,175,369)
Health and human services	822,129	108,173	225,188	-	(488,768)		(488,768)
Culture and recreation	1,283,401	6,447	58,625	65,354	(1,152,975)		(1,152,975)
Interest expense	1,676,595	1,934	-	-	(1,674,661)		(1,674,661)
Total governmental activities	<u>50,402,593</u>	<u>3,877,464</u>	<u>5,130,528</u>	<u>992,811</u>	<u>(40,401,790)</u>		<u>(40,401,790)</u>
Business-type activities:							
Electric Light	<u>12,567,254</u>	<u>15,272,081</u>	<u>382,689</u>	<u>-</u>		<u>3,087,516</u>	<u>3,087,516</u>
Total business-type activities	<u>12,567,254</u>	<u>15,272,081</u>	<u>382,689</u>	<u>-</u>		<u>3,087,516</u>	<u>3,087,516</u>
Total Primary Government	<u>\$ 62,969,847</u>	<u>\$ 19,149,545</u>	<u>\$ 5,513,217</u>	<u>\$ 992,811</u>	<u>(40,401,790)</u>	<u>3,087,516</u>	<u>(37,314,274)</u>
General Revenues:							
Property taxes				37,741,887	-	37,741,887	
Motor vehicle and other excise				3,093,883	-	3,093,883	
Payments in lieu of taxes				351,963	-	351,963	
Grants and contributions not restricted to specific programs				691,099	-	691,099	
Penalties and interest on taxes				92,026	-	92,026	
Unrestricted investment income				<u>3,989,983</u>	<u>985,481</u>	<u>4,975,464</u>	
Total general revenues				<u>45,960,841</u>	<u>985,481</u>	<u>46,946,322</u>	
Change in Net Position				5,559,051	4,072,997	9,632,048	
Net Position:							
Beginning of year				<u>23,631,129</u>	<u>28,145,193</u>	<u>51,776,322</u>	
End of year				<u>\$ 29,190,180</u>	<u>\$ 32,218,190</u>	<u>\$ 61,408,370</u>	

See accompanying notes to basic financial statements.

TOWN OF MIDDLETON, MASSACHUSETTS

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2024**

	General Fund	Capital Projects	ARPA Grant	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 10,378,917	\$ -	\$ 2,688,262	\$ 7,838,572	\$ 20,905,751
Investments	8,104,154	58,552,402	-	495,056	67,151,612
Receivables, net of allowance for uncollectibles:					
Property taxes	1,254,776	-	-	16,600	1,271,376
User charges	-	-	-	18,373	18,373
Departmental and other	343,854	-	-	427,680	771,534
Tax foreclosures	468,461	-	-	-	468,461
Total Assets	20,550,162	58,552,402	2,688,262	8,796,281	90,587,107
Deferred Outflows of Resources					
Total Assets and Deferred Outflows of Resources	\$ 20,550,162	\$ 58,552,402	\$ 2,688,262	\$ 8,796,281	\$ 90,587,107
Liabilities					
Warrants and accounts payable	\$ 820,397	\$ 1,779,039	\$ -	\$ -	\$ 2,599,436
Accrued payroll and withholdings	1,019,021	-	-	-	1,019,021
Tax refunds payable	232,000	-	-	-	232,000
Unearned revenue	-	-	2,688,262	-	2,688,262
Other liabilities	359,756	-	-	4,985	364,741
Total Liabilities	2,431,174	1,779,039	2,688,262	4,985	6,903,460
Deferred Inflows of Resources					
Unavailable revenues - property taxes	918,202	-	-	16,600	934,802
Unavailable revenues - other	812,315	-	-	446,053	1,258,368
Total Deferred Inflows of Resources	1,730,517	-	-	462,653	2,193,170
Fund Balances					
Nonspendable	-	-	-	215,121	215,121
Restricted	232,596	56,773,363	-	8,238,824	65,244,783
Committed	1,245,480	-	-	-	1,245,480
Assigned	2,316,455	-	-	-	2,316,455
Unassigned	12,593,940	-	-	(125,302)	12,468,638
Total Fund Balances	16,388,471	56,773,363	-	8,328,643	81,490,477
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 20,550,162	\$ 58,552,402	\$ 2,688,262	\$ 8,796,281	\$ 90,587,107

See accompanying notes to basic financial statements.

TOWN OF MIDDLETON, MASSACHUSETTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2024

Total Governmental Fund Balances	\$ 81,490,477
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	58,517,202
Other long-term assets are unavailable to pay current-period expenditures	2,193,170
Deferred outflows and inflows of resources to be recognized in future fiscal years are not available resources and, therefore, are not reported in the funds:	
Deferred outflows related to pensions	3,332,630
Deferred outflows related to other postemployment benefits	1,498,973
Deferred inflows related to pensions	(711,233)
Deferred inflows related to other postemployment benefits	<u>(6,813,356)</u>
Net effect of reporting deferred outflows and inflows of resources	(2,692,986)
In the Statement of Activities, interest is accrued on outstanding long-term debt whereas in the governmental funds interest is not reported until due.	(165,389)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the government funds:	
Bonds and notes payable	(70,004,000)
Unamortized premiums on bonds	(3,459,798)
Landfill closure	(577,500)
Net pension liability	(19,933,507)
Net other postemployment benefits liability	<u>(16,177,489)</u>
Net effect of reporting long-term liabilities	<u>(110,152,294)</u>
Net Position of Governmental Activities	<u>\$ 29,190,180</u>

See accompanying notes to basic financial statements.

TOWN OF MIDDLETON, MASSACHUSETTS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2024**

	General Fund	Capital Projects	ARPA Grant	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 37,288,484	\$ -	\$ -	\$ 322,818	\$ 37,611,302
Intergovernmental	4,832,463	25,000	233,951	1,638,050	6,729,464
Motor vehicle and other excises	3,015,873	-	-	-	3,015,873
Licenses and permits	623,235	-	-	-	623,235
Penalties and interest on taxes	92,026	-	-	-	92,026
Payments in lieu of taxes	351,963	-	-	-	351,963
Fines and forfeitures	13,079	-	-	-	13,079
Charges for services	-	-	-	1,574,292	1,574,292
Departmental and other revenue	750,760	-	-	1,237,828	1,988,588
Investment income	3,964,778	-	-	25,205	3,989,983
Contributions and donations	-	-	-	84,974	84,974
Total Revenues	50,932,661	25,000	233,951	4,883,167	56,074,779
Expenditures:					
Current:					
General government	2,692,930	3,919,588	4,014	65,781	6,682,313
Public safety	5,152,423	-	-	414,912	5,567,335
Education	26,774,875	-	-	1,460,581	28,235,456
Public works	2,089,470	-	229,937	756,634	3,076,041
Health and human services	552,946	-	-	128,060	681,006
Culture and recreation	754,718	-	-	119,329	874,047
Pension and employee benefits	5,558,066	-	-	-	5,558,066
State and county assessments	329,201	-	-	-	329,201
Debt service:					
Principal	1,785,250	-	-	175,750	1,961,000
Interest	2,020,080	-	-	-	2,020,080
Total Expenditures	47,709,959	3,919,588	233,951	3,121,047	54,984,545
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,222,702	(3,894,588)	-	1,762,120	1,090,234
Other Financing Sources (Uses):					
Transfers in	1,069,333	-	-	202,177	1,271,510
Transfers out	(2,177)	-	-	(1,269,333)	(1,271,510)
Total Other Financing Sources (Uses)	1,067,156	-	-	(1,067,156)	-
Net Change in Fund Balances	4,289,858	(3,894,588)	-	694,964	1,090,234
FUND BALANCES - Beginning of year	12,098,613	60,667,951	-	7,633,679	80,400,243
FUND BALANCES - End of year	\$ 16,388,471	\$ 56,773,363	\$ -	\$ 8,328,643	\$ 81,490,477

See accompanying notes to basic financial statements.

TOWN OF MIDDLETON, MASSACHUSETTS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2024**

Net Change in Fund Balances - Total Governmental Fund Balances	\$ 1,090,234
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The net amounts are reflected here as reconciling items:

Capital outlays	5,046,562
Disposal of assets	(25,266)
Depreciation/amortization	<u>(2,561,868)</u>
Net effect of reporting capital assets	2,459,428

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the Statement of Activities. The net amounts are reflected here as reconciling items:

Amortization of premiums on bonds and notes payable	326,950
Repayments of debt	<u>1,961,000</u>
Net effect of reporting long-term debt	2,287,950

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. (113,135)

In the Statement of Activities, interest is accrued on outstanding long-term debt; whereas in governmental funds interest is not reported until due. The net amount presented here as a reconciling item represents the difference in accruals between this year and the prior year. 16,535

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:

Landfill closure	52,500
Pension benefits	(267,401)
Other postemployment benefits	<u>32,940</u>
Net effect of reporting long-term liabilities	<u>(181,961)</u>

Change in Net Position of Governmental Activities	\$ 5,559,051
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See accompanying notes to basic financial statements.

TOWN OF MIDDLETON, MASSACHUSETTS

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2024**

	Business-Type Activities
	Electric Light Enterprise
	(December 31, 2023)
Assets	
Current assets:	
Cash and cash equivalents	\$ 5,939,689
Investments	12,185,857
Receivables (net):	
User charges	1,626,273
Inventory	803,174
Prepaid expenses	3,137,229
Other current assets	1,881
	<hr/>
Total current assets	23,694,103
Noncurrent assets:	
Equity investment in joint venture	300,000
Net other postemployment benefits asset	430,951
Nondepreciable capital assets	2,238,718
Capital assets (net of depreciation/amortization)	<hr/> 10,740,479
	<hr/>
Total noncurrent assets	13,710,148
Total Assets	<hr/> 37,404,251
Deferred Outflows of Resources	
Related to Pensions	1,375,450
Related to OPEB	<hr/> 336,095
	<hr/>
Total Deferred Outflows of Resources	1,711,545
Liabilities	
Current liabilities:	
Warrants and accounts payable	950,768
Customer deposits	319,003
Accrued compensated absences	<hr/> 58,971
	<hr/>
Total current liabilities	1,328,742
Noncurrent liabilities:	
Accrued compensated absences	58,971
Net pension liability	<hr/> 4,636,479
	<hr/>
Total noncurrent liabilities	4,695,450
Total Liabilities	<hr/> 6,024,192
Deferred Inflows of Resources	
Related to Pensions	250,698
Related to OPEB	<hr/> 622,716
	<hr/>
Total Deferred Inflows of Resources	873,414
Net Position	
Net investment in capital assets	12,979,197
Unrestricted	<hr/> 19,238,993
	<hr/>
Total Net Position	\$ 32,218,190

See accompanying notes to basic financial statements.

TOWN OF MIDDLETON, MASSACHUSETTS

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2024**

	Business-Type Activities <u>Electric Light Enterprise (December 31, 2023)</u>
Operating Revenues:	
Charges for services	\$ 15,272,081
Other operating revenues	<u>382,689</u>
	<u>15,654,770</u>
Operating Expenses:	
Purchased power and production	8,472,368
Other operating expenses	3,145,544
Depreciation/amortization and bad debts	<u>740,075</u>
	<u>12,357,987</u>
Operating Income (Loss)	<u>3,296,783</u>
Nonoperating Revenues (Expenses):	
Investment income (loss)	985,481
Payment in lieu of taxes	<u>(209,267)</u>
	<u>776,214</u>
Change in Net Position	4,072,997
Total Net Position - Beginning of the Year	<u>28,145,193</u>
Total Net Position - End of the Year	<u>\$ 32,218,190</u>

See accompanying notes to basic financial statements.

TOWN OF MIDDLETON, MASSACHUSETTS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2024

	Business-Type Activities
	<u>Electric Light Enterprise (December 31, 2023)</u>
Cash Flows from Operating Activities:	
Receipts from customers	\$ 16,231,899
Payments to suppliers	(10,584,899)
Payments to employees	<u>(2,119,609)</u>
Net Cash Provided by (Used in) Operating Activities	<u>3,527,391</u>
Cash Flows from Noncapital Financing Activities:	
Payment in lieu of taxes	<u>(209,267)</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(209,267)</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	<u>(1,261,667)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(1,261,667)</u>
Cash Flows from Investing Activities:	
Investment income	985,481
Investment of operating cash, net	<u>(2,099,543)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(1,114,062)</u>
Net Change in Cash and Cash Equivalents	942,395
Cash and Cash Equivalents:	
Beginning of the year	<u>4,997,294</u>
End of the year	<u>\$ 5,939,689</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Operating Income (Loss)	\$ 3,296,783
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation/amortization, bad debts and reserve	740,075
Changes in assets and liabilities:	
Receivables	580,460
Inventory	(40,658)
Prepaid expenses	(479,525)
Other assets	-
Net other postemployment benefits asset	(242,971)
Deferred outflows of resources	8,932
Accounts payable	(112,201)
Accrued expenses	(486,439)
Customer deposits	(3,331)
Compensated absences	(54,125)
Net pension liability	1,003,221
Deferred inflows of resources	<u>(682,830)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 3,527,391</u>

See accompanying notes to basic financial statements.

TOWN OF MIDDLETON, MASSACHUSETTS

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2024

	Other Postemployment Benefits Trust Fund	(Light Department) December 31, 2023	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds
Assets				
Cash and cash equivalents	\$ -	\$ 4,521	\$ -	\$ 133,956
Investments:				
Common stock	- -	- -	- -	31,250
Corporate fixed income securities	- -	- -	- -	26,701
U.S. government obligations	- -	- -	- -	18,118
Equity mutual funds	- -	781,365	- -	408,614
Fixed income mutual funds	- -	916,399	- -	88,692
Fixed income ETF funds	- -	- -	- -	451
PRIT	<u>2,655,433</u>	<u>- -</u>	<u>- -</u>	<u>- -</u>
Total Assets	<u>2,655,433</u>	<u>1,702,285</u>	<u>707,782</u>	
Liabilities				
Other liabilities	- -	- -	- -	- -
Total Liabilities	<u>- -</u>	<u>- -</u>	<u>- -</u>	
Net Position				
Restricted for other postemployment benefits	2,655,433	1,702,285	- -	- -
Held in trust for private purposes	<u>- -</u>	<u>- -</u>	<u>- -</u>	<u>707,782</u>
Total Net Position	<u>\$ 2,655,433</u>	<u>\$ 1,702,285</u>	<u>\$ 707,782</u>	

See accompanying notes to basic financial statements.

TOWN OF MIDDLETON, MASSACHUSETTS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2024

	Other Postemployment Benefits Trust Fund	Other Postemployment Benefits Trust Fund	(Light Department) December 31, 2023	Private Purpose Trust Funds
Additions				
Contributions:				
Employer	\$ 887,881	\$ 30,795	\$ -	
Other	-	-	730	
Total contributions	<u>887,881</u>	<u>30,795</u>	<u>730</u>	
Investment income:				
Interest and dividends	65,489	-	11,875	
Realized gain (loss) on investments	58,531	-	-	
Net appreciation in fair value of investments	117,280	169,071	51,099	
Less - investment management fees	(12,655)	-	-	
Net investment earnings	<u>228,645</u>	<u>169,071</u>	<u>62,974</u>	
Other income	-	-	-	
Total Additions	<u>1,116,526</u>	<u>199,866</u>	<u>63,704</u>	
Deductions				
Education - scholarships	-	-	2,500	
Health and human services	-	-	15,091	
Retiree benefits	<u>687,881</u>	<u>30,795</u>	<u>-</u>	
Total Deductions	<u>687,881</u>	<u>30,795</u>	<u>17,591</u>	
CHANGE IN NET POSITION	428,645	169,071	46,113	
NET POSITION AT BEGINNING OF YEAR	<u>2,226,788</u>	<u>1,533,214</u>	<u>661,669</u>	
NET POSITION AT END OF YEAR	<u>\$ 2,655,433</u>	<u>\$ 1,702,285</u>	<u>\$ 707,782</u>	

See accompanying notes to basic financial statements.

TOWN OF MIDDLETON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2024

I. Summary of Significant Accounting Policies

The accompanying basic financial statements of the Town of Middleton, 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 governmental entities. The following is a summary of the more significant policies and practices used by the Town:

A. Reporting Entity

The Town is located approximately twenty miles north of Boston. It is bordered by the Towns of North Reading, North Andover, Boxford, Topsfield, Danvers, Peabody and Lynnfield. The Town was settled in 1659 and incorporated as a Town in 1728; and uses the open town meeting form of government. It is governed by a five-member elected Board of Selectmen with an appointed Town Administrator. Members of the Town’s Board of Selectmen serve three-year terms.

The Town provides governmental services for the territory within its boundaries, including police and fire protection, public education in grades K-12, utility services, street maintenance, parks and recreational facilities.

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

The Town is a member community of the Masconomet Regional School District that provides educational services in grades 7 to 12 to the Towns of Middleton, Topsfield and Boxford. This joint venture assesses each community its share of operational and debt service costs based on student population and other factors. In fiscal year 2024, the Town’s share of the operating and debt service expenses was \$11,046,622. Complete audited financial statements can be obtained directly from the District’s administrative office located at 20 Endicott Road, Topsfield, Massachusetts 01983.

The Town is a member community of the Essex North Shore Agricultural and Technical School District that provides educational services in grades 9 to 12 to many area communities. This joint venture assesses each community its share of operational and debt service costs based on student population and other factors. In fiscal year 2024, the Town’s share of the operating and debt service expenses was \$883,713. Complete audited financial statements can be obtained directly from the District’s administrative office located at 565 Maple Street, Hathorne, Massachusetts 01937.

The Town does not have an equity interest in either of the joint ventures.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

- 1) The total assets and deferred outflows of financial resources, liabilities and deferred inflows of financial resources, 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 of financial resources, etc.) for all funds of that category or type (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 a liability is incurred. Property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. For the most part, the effect of interfund activity has been removed from the government-wide financial statements.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e. measurable and available). Revenues are considered to be *available*

when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for interest on general long-term debt which is recognized when payment is due, certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

The Town applies the susceptible to accrual criteria to intergovernmental revenues. In applying the susceptible to accrual concept, there are two types of revenues. In one, moneys must be expended for a specific purpose or project before any amounts will be paid to the; therefore, revenues are recognized as expenditures are incurred. In the other, moneys 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 are met. State aid is accrued as revenue in the year that the funds are appropriated by the Commonwealth.

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 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.

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

ARPA Grant Fund – is used to account for activities of the Town's ARPA federal grant program.

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, indirect costs and depreciation/amortization. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The government reports the following major proprietary funds:

Light Department – accounts for user charges collected to finance costs associated with providing electric power to the Town's residents and businesses.

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

The government reports the following fiduciary funds:

Other Postemployment Benefits Trust Fund – is used to account for funds accumulated by the Town to assist it in its future OPEB obligations.

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

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

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

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

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

Real estate taxes that are secured through a lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible balances for these receivables is not reported. All personal property tax and excise tax receivables are shown net of an allowance for uncollectible balances comprised of those outstanding amounts greater than five years old. Departmental receivables are shown net of an allowance for uncollectible balances based on historical trends and specific account analysis.

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

expenses represent a deposit used to facilitate timely payments of certain monthly power invoices.

Capital Assets – Capital assets, which include land, buildings and improvements, machinery and equipment (including leased equipment), vehicles and infrastructure (e.g. roads, sewer mains, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are recorded at historical cost or estimated historical cost if purchased, leased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Interest incurred during the construction phase of capital assets of business-type activities, if material is included as part of the capitalized value of the assets constructed.

All purchases, the present value of leased assets and construction costs in excess of \$10,000 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 or amortized using the straight line method over the following estimated useful lives:

Buildings and improvements	7 to 40 years
Land improvements	20 to 30 years
Machinery and equipment	3 to 10 years
Infrastructure	30 to 100 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 – 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 permanent funds and proprietary funds is retained in the 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. For governmental activities, the liability for compensated absences is not material and is therefore not reported in these financial statements.

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 deferred and amortized over the life of the bonds using the effective interest method. Bond anticipation notes payable are reported net of the applicable bond premium or discount.

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

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

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

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

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

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

Expendable permanent funds represent the spendable portion of donor restricted trusts that support governmental programs.

Grants and gifts represent assets that have restrictions placed on them from federal and state granting agencies, donors and other outside parties for specific governmental programs and uses.

Other specific purposes represent assets that are restricted by third parties for specific governmental programs and uses.

Fund Equity – The Town presents its fund balances in its governmental funds using classifications that comprise a hierarchy based primarily on the extent in which the Town is required to honor constraints on the specific purpose for which amounts in the funds can be spent.

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

Nonspendable represents amounts that cannot be spent because they are either (a) not in spendable form (i.e. inventory or prepaid) or (b) legally or contractually required to be maintained intact as the corpus of the 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. The Town has not established financial policies with respect to maintaining minimum fund balance amounts.

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 Accountant as assigned, and (2) classify encumbrances that result from an action of the Town Meeting as committed. Encumbrances of funds already restricted, or committed are included within the classification of those fund balances and not reported separately. The Town reports \$102,917 of encumbrances from normal purchasing activity in the general fund as assigned and \$1,245,480 of encumbrances from Town Meeting Articles in the general fund as committed. There are no encumbrances reported in any other fund.

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

	General	Capital Projects	ARPA Grant	Nonmajor Governmental	Total
Nonspendable:					
Nonexpendable trust funds	\$ -	\$ -	\$ -	\$ 215,121	\$ 215,121
Restricted:					
School revolving	-	-	-	1,078,775	1,078,775
Federal and state grants	-	-	-	1,033,524	1,033,524
Ambulance services	-	-	-	1,359,199	1,359,199
Gift funds	-	-	-	574,464	574,464
Affordable housing	-	-	-	210,247	210,247
Cemetery	-	-	-	124,353	124,353
Cable access programming	-	-	-	665,828	665,828
Water services	-	-	-	1,652,280	1,652,280
Community preservation	-	-	-	978,295	978,295
Public facilities project	-	56,063,363	-	-	56,063,363
Departmental equipment	-	710,000	-	-	710,000
Cemetery trust funds	-	-	-	40,050	40,050
Other trust funds	-	-	-	94,639	94,639
Debt service	232,596	-	-	-	232,596
Other purposes	-	-	-	427,170	427,170
Committed:					
General government	288,833	-	-	-	288,833
Public works	52,870	-	-	-	52,870
Public safety	664,503	-	-	-	664,503
Education	50,000	-	-	-	50,000
Health and human services	189,274	-	-	-	189,274
Assigned:					
Purchase orders	102,917	-	-	-	102,917
Subsequent years' budget	2,213,538	-	-	-	2,213,538
Unassigned	<u>12,593,940</u>	<u>-</u>	<u>-</u>	<u>(125,302)</u>	<u>12,468,638</u>
	<u><u>\$ 16,388,471</u></u>	<u><u>\$ 56,773,363</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,328,643</u></u>	<u><u>\$81,490,477</u></u>

Stabilization Funds – The Town maintains a general stabilization fund, in accordance with Massachusetts General Law Chapter 40, Section 5B, which may be used for any municipal purpose upon a two-thirds vote of the Town Meeting. At June 30, 2024, the Town reported a balance in its stabilization fund of \$2,446,791, which is reported as unassigned in the general fund.

The Town maintains a special education stabilization fund, in accordance with Massachusetts General Law Chapter 40, Section 5B, which may be used for any special education purpose upon a two-thirds vote of the Town Meeting. At June 30, 2024, the Town reported a balance in its special education stabilization fund of \$413,266, which is reported as unassigned in the general fund.

The Town maintains a capital stabilization fund, in accordance with Massachusetts General Law Chapter 40, Section 5B, which may be used for any capital purpose upon a two-thirds vote of the Town Meeting. At June 30, 2024, the Town reported a balance in its capital stabilization fund of \$734,058, which is reported as unassigned in the general fund.

The Town maintains a retirement stabilization fund, in accordance with Massachusetts General Law Chapter 40, Section 5B, which may be used for retirement costs upon a two-thirds vote of the Town Meeting. At June 30, 2024, the Town reported a balance in its retirement stabilization fund of \$564,920, which is reported as unassigned in the general fund.

The Town maintains a sidewalk/pedestrian improvements stabilization fund, in accordance with Massachusetts General Law Chapter 40, Section 5B, which may be used for capital sidewalk improvements costs upon a two-thirds vote of the Town Meeting. At June 30, 2024, the Town reported a balance in its sidewalk/pedestrian improvements stabilization fund of \$153,416, which is reported as unassigned in the general fund.

The Town maintains a facilities complex stabilization fund, in accordance with Massachusetts General Law Chapter 40, Section 5B, which may be used for construction or improvement costs for the Town's facilities complex upon a two-thirds vote of the Town Meeting. At June 30, 2024, the Town reported a balance in its facilities complex stabilization fund of \$907,267, which is reported as unassigned in the general fund.

E. Excess of Expenditures Over Appropriations and Fund Deficits

The Town incurred individual fund deficits totaling \$125,302 in its nonmajor governmental funds. These deficits will be funded through grants and other available funds in future fiscal years.

F. Use of Estimates

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

II. Detailed Notes to All Funds

A. Deposits and Investments

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

State laws and regulations require the Town to invest funds only in pre-approved investment instruments which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and State Treasurer's investment pool (the "Pool"). In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation.

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

Custodial Credit Risk: Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk relative to cash holdings. At June 30, 2024, the Town, excluding the Light Department, had bank deposits totaling \$16,908,224, with a carrying value of \$15,552,074. Of the bank balance, \$2,510,186 was not insured by the Federal Deposit Insurance Corporation ("FDIC"), the depositors' insurance fund or collateralization agreements and therefore exposed to custodial credit risk.

At year-end, the Light Department's carrying amount of segregated bank deposits was \$165,92. The bank balance of these Department segregated funds maintained by the Town Treasurer was \$176,576. In addition to the segregated funds, there was \$5,538,143 of operating cash pooled within various accounts maintained by the Town Treasurer. Bank deposits are pooled with, or in the same financial institution as, Town operated funds and therefore specific collateralization information on these deposits is not available.

Custodial Credit Risk: Investments – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town or Light Department may not be able to recover the full amount of its principal investment and/or investment earnings. The Town's investment in the MMDT and PRIT 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 United States governmental obligations, bond and equity mutual funds and other investment funds are exposed to custodial credit risk because the related securities are uninsured, unregistered and are held by the counterparty. The Town's investments in negotiable certificates of deposit are fully insured by the FDIC.

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

The Town categories 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 (not including the Light Department) carried at fair value on a recurring basis in the statement of net position at June 30, 2024:

	Fair Value	Fair Value Measurements Using			
		Level 1	Level 2	Level 3	
Investments by fair value level					
Debt securities:					
Corporate fixed income securities	\$ 3,024,042	\$ 3,024,042	\$ -	\$ -	
U.S. government obligations	62,831,836	62,596,816	235,020	-	
Fixed income ETF funds	50,563	50,563	-	-	
State treasurer's PRIT fund	2,655,433	-	2,655,433	-	
Total debt securities	68,561,874	65,671,421	2,890,453	-	
Equity securities:					
Common stock	1,295,527	1,295,527	-	-	
Mutual funds	523,470	-	523,470	-	
Total equity securities	1,818,997	1,295,527	523,470	-	
Total investments by fair value level	<u>\$ 70,380,871</u>	<u>\$ 66,966,948</u>	<u>\$ 3,413,923</u>	<u>\$ -</u>	
Investments measured at amortized costs					
Money market mutual funds	\$ 3,056,815				
Massachusetts Municipal Depository Trust	2,430,818				
Total investments	<u>75,868,504</u>				

U.S government obligations, fixed income and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. The remaining investments are classified in Level 2. U.S. government obligations and mutual funds classified in Level 2 are valued using matrix pricing based on the securities' relationship to benchmark quoted prices. The State Treasurer's PRIT fund is valued based on the composition and fair value of the underlying investments contained within this pool, which can be determined using inputs other than quoted prices that are observable either directly or indirectly. The State Treasurer's investment pool (MMDT) is valued at amortized cost. The MMDT's investment advisor may value the pool using an alternative valuation method that more accurately reflects the fair value in accordance with the pool's fair value pricing policies should amortized cost not approximate the fair value of the pool.

At December 31, 2023, the Light Department's investments are categorized as follows: Level 1 - \$893,354 equities and \$704,175 U.S. government obligations; Level 2 - \$1,047,405 U.S. government obligations, \$510,186 municipal bonds, \$861,379 corporate bonds, \$1,057 fixed income ETF funds, \$4,542,773 bond mutual funds, \$4,070,135 equity mutual funds and \$1,240,404 negotiable certificates of deposit.

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 way of managing its exposure to fair value losses arising from rising 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, 2024, the Town (not including the Light Department) had the following investments with maturities:

Investments	Fair Value	Maturities in Years		
		<1	1 - 5	6 - 10
Corporate fixed income securities	\$ 3,024,042	\$ 484,468	\$ 2,305,255	\$ 234,319
U.S. government obligations	62,831,835	61,521,258	1,310,577	-
Total investments with maturities	<u>\$ 65,855,877</u>	<u>\$ 62,005,726</u>	<u>\$ 3,615,832</u>	<u>\$ 234,319</u>

At December 31, 2023, the Light Department had the following investments with maturities:

Investments	Fair Value	Maturities in Years			
		<1	1 - 5	6 - 10	>10
U.S. government obligations	\$ 1,751,580	\$ 439,902	\$ 836,175	\$ 10,002	\$ 465,501
Municipal bonds	510,186	-	75,619	434,567	-
Corporate bonds	861,379	111,074	735,816	14,489	-
Exchange traded funds - fixed income	1,057	-	1,057	-	-
Certificates of deposit	1,240,404	823,572	416,832	-	-
Total investments with maturities	<u>\$ 4,364,606</u>	<u>\$ 1,374,548</u>	<u>\$ 2,065,499</u>	<u>\$ 459,058</u>	<u>\$ 465,501</u>

Concentration of Credit Risk – The Town does not place a limit on the amount that may be invested in any one issuer. At June 30, 2024, Town has 83% of its investments in U. S. government obligations.

Credit Risk – The Town has not adopted a formal policy related to credit risk. The Town's investments in U.S. government obligations are rated Aaa by Moody's. Corporate bonds are rated \$296,051 as Aaa, \$530,687 as A1, \$948,971 as A2, \$295,873 as A3, \$388,598 as Baal and \$563,862 as Baa2. The Town's remaining investments are unrated.

The Light Department's investments in U.S. government obligations are rated as Aaa by Moody's. Municipal bonds are rated \$131,344 as Aaa, \$141,785 as Aa1, \$66,599 as Aa2 and \$170,458 as Aa3. Corporate bonds are rated \$7,981 as Aaa, \$14,241 as A1, \$222,340 as A2, \$231,862 as A3, \$202,843 as Baal and \$182,112 as Baa2. The Light Department's remaining investments are unrated.

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
Receivables:			
Real estate and personal property taxes	\$ 980,748	\$ -	\$ 980,748
Tax liens and deferrals	279,238	-	279,238
Community preservation surcharges	11,390	-	11,390
Motor vehicle and other excise taxes	343,854	-	343,854
User charges	18,373	-	18,373
Ambulance fees	676,758	(270,703)	406,055
Other	21,625	-	21,625
Total	<u>\$ 2,331,986</u>	<u>\$ (270,703)</u>	<u>\$ 2,061,283</u>

Receivables for the Town's Light Plant Enterprise Fund are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Customer accounts receivable	\$ 1,681,818	\$ (177,365)	\$ 1,504,453
Other accounts receivable	121,820	-	121,820
Total	<u>\$ 1,803,638</u>	<u>\$ (177,365)</u>	<u>\$ 1,626,273</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	Total
Receivables and other asset type:			
Real estate and personal property taxes	\$ 644,174	\$ -	\$ 644,174
Tax liens and deferrals	274,028	5,210	279,238
Motor vehicle and other excise taxes	343,854	-	343,854
Community preservation surcharges	-	11,390	11,390
User charges	-	18,373	18,373
Ambulance fees	-	406,055	406,055
Other	-	21,625	21,625
Tax foreclosures	468,461	-	468,461
Total	<u>\$ 1,730,517</u>	<u>\$ 462,653</u>	<u>\$ 2,193,170</u>

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2024 (December 31, 2023 for Electric Light Department) was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i><u>Governmental Activities:</u></i>				
Capital assets not being depreciated/amortized:				
Land	\$ 10,383,884	\$ -	\$ -	\$ 10,383,884
Construction in process	<u>2,877,082</u>	<u>4,371,728</u>	<u>(449,906)</u>	<u>6,798,904</u>
Total capital assets not being depreciated/amortized	<u>13,260,966</u>	<u>4,371,728</u>	<u>(449,906)</u>	<u>17,182,788</u>
Capital assets being depreciated/amortized:				
Land improvements	2,013,754	505,538	-	2,519,292
Buildings and improvements	44,888,192	37,000	-	44,925,192
Machinery and equipment	8,733,340	381,222	(454,751)	8,659,811
Infrastructure	<u>33,447,469</u>	<u>200,980</u>	<u>-</u>	<u>33,648,449</u>
Total capital assets being depreciated/amortized	<u>89,082,755</u>	<u>1,124,740</u>	<u>(454,751)</u>	<u>89,752,744</u>
Less accumulated depreciation/amortization for:				
Land improvements	(1,276,947)	(106,893)	-	(1,383,840)
Buildings and improvements	(20,628,079)	(1,156,478)	-	(21,784,557)
Machinery and equipment	(6,427,844)	(664,613)	429,485	(6,662,972)
Infrastructure	<u>(17,953,077)</u>	<u>(633,884)</u>	<u>-</u>	<u>(18,586,961)</u>
Total accumulated depreciation/amortization	<u>(46,285,947)</u>	<u>(2,561,868)</u>	<u>429,485</u>	<u>(48,418,330)</u>
Total capital assets being depreciated/amortized, net	<u>42,796,808</u>	<u>(1,437,128)</u>	<u>(25,266)</u>	<u>41,334,414</u>
Total governmental activities capital assets, net	<u>\$ 56,057,774</u>	<u>\$ 2,934,600</u>	<u>\$ (475,172)</u>	<u>\$ 58,517,202</u>
<i><u>Business-Type Activities:</u></i>				
Capital assets not being depreciated/amortized:				
Land	\$ 2,238,718	\$ -	\$ -	\$ 2,238,718
Capital assets being depreciated/amortized:				
Buildings	1,291,020	10,380	(5,000)	1,296,400
Infrastructure	20,415,078	951,067	(135,000)	21,231,145
Vehicles, machinery and equipment	<u>2,963,058</u>	<u>300,220</u>	<u>(206,000)</u>	<u>3,057,278</u>
Total capital assets being depreciated/amortized	<u>24,669,156</u>	<u>1,261,667</u>	<u>(346,000)</u>	<u>25,584,823</u>
Less accumulated depreciation/amortization for:				
Buildings	(1,212,161)	(38,731)	5,000	(1,245,892)
Infrastructure	(12,374,744)	(612,452)	135,000	(12,852,196)
Vehicles, machinery and equipment	<u>(863,364)</u>	<u>(88,892)</u>	<u>206,000</u>	<u>(746,256)</u>
Total accumulated depreciation/amortization	<u>(14,450,269)</u>	<u>(740,075)</u>	<u>346,000</u>	<u>(14,844,344)</u>
Total capital assets being depreciated/amortized, net	<u>10,218,887</u>	<u>521,592</u>	<u>-</u>	<u>10,740,479</u>
Total business-type activities capital assets, net	<u>\$ 12,457,605</u>	<u>\$ 521,592</u>	<u>\$ -</u>	<u>\$ 12,979,197</u>

Depreciation/amortization was charged to functions/programs as follows:

Governmental Activities:		Business-Type Activities:	
General government	\$ 108,511	Light Department	\$ 740,075
Public safety	376,307		<u>\$ 740,075</u>
Education	923,258		
Public works	885,315		
Health and human services	17,274		
Culture and recreation	<u>251,203</u>		
	<u>\$ 2,561,868</u>		

D. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2024, are summarized as follows:

Transfers Out	Transfers In		
	General Fund	Nonmajor	Total
		Governmental Funds	
General Fund	\$ -	\$ 2,177	\$ 2,177 (1)
Nonmajor Governmental Funds	<u>1,069,333</u>	<u>200,000</u>	<u>1,269,333</u> (2)
Total	<u>\$ 1,069,333</u>	<u>\$ 202,177</u>	<u>\$ 1,271,510</u>

(1) Transfers to nonmajor governmental funds for deficits.

(2) Transfers to general fund to supplement operating budgets and transfers between nonmajor governmental funds for affordable housing purposes.

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 (“GANS”). In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount.

Temporary notes are general obligations of the Town and generally carry maturity dates of less than one year and are interest bearing and will be paid through future issuance of general obligation bonds.

There was no temporary debt activity during the fiscal year.

F. Long-Term Obligations

The following table reflects the activity in the Town's long-term liability accounts during the fiscal year ended June 30, 2024:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
<i>Governmental Activities:</i>					
Bond and note indebtedness	\$ 71,960,000	\$ -	\$ (1,960,000)	\$ 70,000,000	\$ 2,075,000
Unamortized bond premium	3,786,748	-	(326,950)	3,459,798	305,388
Direct borrowings and placements	5,000	-	(1,000)	4,000	1,000
Landfill closure	630,000	-	(52,500)	577,500	52,500
Net pension liability	19,582,045	3,600,031	(3,248,569)	19,933,507	-
Net other postemployment benefits liability	19,864,523	3,126,322	(6,813,356)	16,177,489	-
Total Governmental Activities	\$ 115,828,316	\$ 6,726,353	\$ (12,402,375)	\$ 110,152,294	\$ 2,433,888
<i>Business-Type Activities - MELD:</i>					
Compensated absences	\$ 172,067	\$ 31,909	\$ (86,034)	\$ 117,942	\$ 58,971
Net pension liability	3,633,258	1,887,720	(884,499)	4,636,479	-
Total Business-Type Activities	\$ 3,805,325	\$ 1,919,629	\$ (970,533)	\$ 4,754,421	\$ 58,971

The governmental activities liabilities will be liquidated by the General Fund. The business-type liabilities will be liquidated by the Electric Light Department Enterprise Fund.

G. Long-Term Debt

The Town issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities and equipment. General obligation bonds and notes have been issued for both governmental and business-type activities. In addition, the Town incurs various other long-term obligations related to personnel costs.

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

The following is a summary of outstanding long-term debt obligations as of June 30, 2024:

Description of Issue	Interest Rate	Beginning Balance	Additions	Maturities	Ending Balance
<i>Governmental Activities:</i>					
General Obligation Bonds	2.30 - 5.00%	\$ 71,125,000	\$ -	\$ (1,750,000)	\$ 69,375,000
General Obligation Refunding Bonds	5.00%	835,000	-	(210,000)	625,000
Massachusetts Clean Water Trust Notes	3.00 - 5.25%	5,000	-	(1,000)	4,000
Total Governmental Activities		71,965,000	-	(1,961,000)	70,004,000
Add: Unamortized bond premium		3,786,748		(326,950)	3,459,798
Total Governmental Activities, net		\$ 75,751,748	\$ -	\$ (2,287,950)	\$ 73,463,798

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

Year Ending June 30,	<i>Governmental Activities</i>			
	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2025	\$ 2,075,000	\$ 1,935,178	\$ 1,000	\$ -
2026	2,195,000	1,850,225	1,000	-
2027	2,380,000	1,754,975	1,000	-
2028	2,480,000	1,651,175	1,000	-
2029	2,570,000	1,543,075	-	-
2030-2034	13,870,000	6,074,475	-	-
2035-2039	15,085,000	4,063,675	-	-
2040-2044	13,255,000	2,591,713	-	-
2045-2049	10,720,000	1,274,663	-	-
2050-2052	5,370,000	177,056	-	-
Total	<u>\$ 70,000,000</u>	<u>\$ 22,916,210</u>	<u>\$ 4,000</u>	<u>\$ -</u>

The following table summarizes authorized but unissued debt at June 30, 2024:

Project	Amount
<i>Governmental:</i>	
Municipal facilities	\$ 9,950,000
School feasibility study	300,000
Septic loans	84,969
Total Authorized and Unissued	<u>\$ 10,334,969</u>

III. Other Information

A. Retirement System

Plan Description – The Town contributes to the Essex Regional Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan established under Chapter 32 of the Commonwealth of Massachusetts General Laws (MGL) and administered by the Essex Regional Retirement Board. Stand-alone audited financial statements for the year ended December 31, 2023, were issued and may be obtained by writing to the Essex Regional Retirement System, 491 Maple Street, Suite 202, Danvers MA 01923.

Membership – Membership in the System as of December 31, 2023, was as follows:

Retired participants and beneficiaries	
receiving benefits	2,164
Inactive participants entitled to a return	
of their employee contributions	1,145
Active members	3,252
Total	6,561

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

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

Massachusetts contributory retirement system benefits are uniform, with certain exceptions, 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 group classification.

Contributions Requirements – The System has elected provisions of Chapter 32, Section 22D (as amended) of Massachusetts General Laws, which require that a funding schedule be established to fully fund the pension plan by June 30, 2040 (the System’s current funding schedule allows for full funding by June 30, 2035). 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 (including the Light Department) contributed approximately \$2.7 million to the System in fiscal year 2024, which equaled the actuarially determined contribution requirement for the year.

Net Pension Liability – As of June 30, 2024, the Town (including the Light Department) reported a liability of approximately \$24.6 million for its proportionate share of the net pension liability. The net pension liability reported by the System at December 31, 2023 (used for fiscal year end June 30, 2024) is approximately \$24.8 million. The difference between these two figures is attributable to the difference in fiscal year ends between the Town and Light Department, which results in a one-year lag.

The Town’s (excluding the Light Department) net pension liability was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2024. These figures were updated by the independent actuary as of December 31, 2023. The Light Department’s net pension liability was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. These figures were updated by the independent actuary as of December 31, 2023. There were no 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 and Light Department's proportionate share were approximately 5.26% as of December 31, 2023.

Pension Expense – The Town (excluding the Light Department) recognized \$2.4 million in pension expense in the statement of activities in fiscal year 2024; and the Light Department recognized \$0.6 million.

Deferred Outflows of Resources and Deferred Inflows of Resources – As of June 30, 2024, the Town (excluding the Light Department) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual earnings	\$ 1,103,873	\$ -
Changes in assumptions	1,312,678	-
Changes in proportion differences	547,199	-
Differences between expected and actual experience	368,880	238,698
Changes in proportion differences	-	472,535
	<u>\$ 3,332,629</u>	<u>\$ 711,233</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	
June 30	Amount
2025	\$ 673,470
2026	757,345
2027	1,093,619
2028	<u>96,962</u>
Total	<u>\$ 2,621,396</u>

As of December 31, 2023, the Light Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made subsequent to measurement date	\$ 523,982	\$ -
Changes in assumptions	253,018	-
Differences between expected and actual earnings	429,928	-
Changes in proportion differences	168,378	171,072
Differences between expected and actual experience	144	79,626
	<u>\$ 1,375,450</u>	<u>\$ 250,698</u>

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

Year Ended December 31,	Amount
2024	\$ 628,608
2025	129,951
2026	146,812
2027	<u>219,381</u>
Total	<u>\$ 1,124,752</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, 2024. The significant actuarial assumptions used in the January 1, 2024 actuarial valuation included:

Investment rate of return	Full prefunding: 7.0% per year, net of investment expenses
Discount Rate	7.00%
Inflation	2.75%
Salary Increases	7.5% decreasing to 3.75% after 5 years of service
Pre-Retirement Mortality	RP-2014 Employee Mortality Table projected generationally with Scale MP 2021
Post-Retirement Mortality	RP-2014 Healthy Annuitant Mortaility Table projected generationally with Scale MP 2021
Disabled Mortality	RP-2014 Healthy Annuitant Mortaility Table set forward two years projected generationally with Scale MP 2021

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocations and projected arithmetic real rates of return for each major asset class after deducting inflation, but before investment expenses, are summarized in the following table:

Asset Class	Target Allocation	Expected Investment Rate of Return
Domestic equity	24.10%	6.90%
International developed markets equity	10.80%	6.60%
International emerging markets equity	4.40%	9.20%
Core fixed income	13.60%	4.90%
High-yield fixed income	7.30%	4.20%
Private equity	17.10%	10.20%
Real estate	10.30%	6.60%
Timberland	3.20%	7.10%
Hedge Funds, PCS and Overlay	9.20%	6.40%
	<u>100.00%</u>	

Discount Rate – The discount rate used to measure the Town’s and Light Department’s pension liability was 7.00%. 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 Retirement System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	Discount Rate			
	Current Rate	1% lower	Current	1% greater
Town	7.00%	\$ 25,841,493	\$ 19,933,507	\$ 14,976,484
Light Department	7.00%	5,889,682	4,636,479	3,584,212

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, 2024, (measured as of June 30, 2023) the Commonwealth contributed \$1.9 million 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 0.09%, 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 (dollar amounts are in thousands):

	Commonwealth Portion	Paid (or assumed) On Behalf of the Town	Town Portion
Net pension liability	\$ 23,719,896	\$ (23,719,896)	\$ —
Pension expense	2,214,730	(2,214,730)	—

The Town recognized \$2.2 million in intergovernmental revenue and pension expense relative to this arrangement.

C. Other Postemployment Benefits

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 an audited stand-alone financial report and is presented as a fiduciary fund in the Town's financial statements.

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of June 30, 2024:

Active employees	247
Inactive employees	94
Total	<u>341</u>

Contributions – The contribution requirements of OPEB Plan members and the Town are established and may be amended by the Town. Retirees contribute 40% of the set premium for medical; 25% for dental, and 50% for life insurance. The remainder of the cost is funded by general revenues of the Town. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis and also pays 60% of a retiree's Medicare Part B premium. The costs of administering the OPEB Plan are paid by the Town. For the year ended June 30, 2024, the Town's average contribution rate was approximately 4.64% of covered payroll.

Net OPEB Liability – The Town's net OPEB liability was measured as of June 30, 2024 using an actuarial valuation as of July 1, 2023. The components of the net OPEB liability of the Town as of June 30, 2024 were as follows:

Total OPEB Liability	\$ 18,832,922
Plan fiduciary net position	<u>(2,655,433)</u>
Net OPEB liability	<u>\$ 16,177,489</u>
Plan fiduciary net position as a percentage of the total OPEB liability	14.10%

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	6.97%, net of OPEB plan investment expense, including inflation.
Municipal bond rate	4.21%
Discount Rate	6.30%, net of OPEB plan investment expense, including inflation.
Inflation	2.50% annually as of June 30, 2024 and for future periods
Health Care Trend Rate	5.00% trending to 3.63% in 2060. Rates developed using the SOA Getzen Model of Long-Run Medical Cost Trends.
Salary Increases	3.00% annually as of July 1, 2024 and for future periods
Pre-Retirement Mortality	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2021, set forward 1 year for females Teachers: PubT-2010 Mortality Table (headcount-weighted) for employees projected generationally with scale MP-2021
Post-Retirement Mortality	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2021, set forward 1 year for females Teachers: PubT-2010 Mortality Table (headcount-weighted) for Healthy Annuitants projected generationally with scale MP-2021
Disabled Mortality	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2021, set forward 1 year for males and 2 years for females Teachers: PubT-2010 Mortality Table (headcount-weighted) for Healthy Annuitants projected generationally with scale MP-2021
Actuarial Cost Method	Individual Entry Age Normal

Key assumption changes effective Fiscal Year ending June 30, 2024

Discount Rate	6.30% from 5.54%
Mortality Tables	Updated to the RP-2014 Mortality Table projected generationally with scale MP-2021 for non-teachers and PubT-2010 Mortality Table projected generationally with scale MP-2021 for teachers.

Discount Rate – The discount rate used to measure the total OPEB liability was 6.30% (increase from prior year of 5.54% which was based on the high-quality municipal bond rate for 20-year maturities as of June 30, 2024.

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

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

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

Asset Class	Target Allocation	Expected Investment Rate of Return
Domestic Equity - Large Cap	14.50%	4.91%
Domestic Equity - Small/Mid Cap	3.50%	5.29%
International Equity - Developed Market	16.00%	5.32%
International Equity - Emerging Market	6.00%	6.13%
Domestic Fixed Income	20.00%	2.30%
International Fixed Income	3.00%	2.02%
Alternatives	23.00%	6.35%
Real Estate	14.00%	6.25%
Cash	0.00%	0.00%
	<u>100.00%</u>	
Real rate of return		4.97%
Inflation assumption		2.50%
Total nominal rate of return		7.47%
Investment expense		-0.50%
Net investment return		<u>6.97%</u>

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

Net OPEB liability			
Discount Rate			
Current Rate	1% Decrease	At Current Rate	1% Increase
6.30%	\$ 18,787,511	\$ 16,177,489	\$ 14,046,475
Health Care Trend Rate			
Current Rate	1% Decrease	At Current Rate	1% Increase
5.00% > 3.63%	\$ 13,776,342	\$ 16,177,489	\$ 19,134,882

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2024:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2023	\$ 22,091,311	\$ 2,226,788	\$ 19,864,523
Changes for the year:			
Service cost	763,802	-	763,802
Interest	1,247,376	-	1,247,376
Change in assumptions	(2,277,637)	-	(2,277,637)
Difference between expected and actual experience	(2,304,049)	-	(2,304,049)
Net investment income	-	228,645	(228,645)
Employer contributions	-	887,881	(887,881)
Benefit payments withdrawn from trust	-	(687,881)	687,881
Benefit payments	<u>(687,881)</u>	<u>-</u>	<u>(687,881)</u>
Net changes	<u>(3,258,389)</u>	<u>428,645</u>	<u>(3,687,034)</u>
Balances at June 30, 2024	<u>\$ 18,832,922</u>	<u>\$ 2,655,433</u>	<u>\$ 16,177,489</u>

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2024, the Town recognized OPEB expense of \$854,941 and deferred outflows of resources and deferred inflows of resources related to OPEB were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual earnings	\$ -	\$ 37,607
Changes of Assumptions	1,498,973	1,952,261
Differences between actual and expected experience	<u>-</u>	<u>4,823,488</u>
	<u>\$ 1,498,973</u>	<u>\$ 6,813,356</u>

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

June 30,	
2025	\$ (1,212,822)
2026	(1,220,404)
2027	(862,192)
2028	(720,666)
2029	(643,763)
thereafter	<u>(654,536)</u>
	<u><u>\$ (5,314,383)</u></u>

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

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

Investment Rate of Return – For the year ended June 30, 2024, the annual money-weighted rate of return on investments, net of investment expense, was 9.59%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Electric Light Department OPEB – Electric Light Department OPEB, which is not material to the overall financial statements, may be reviewed in detail in the Electric Light Department financial statements.

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.

E. Commitments and Contingencies

General – The Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability, if any, at June 30, 2024, cannot be determined, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2024.

Grant Compliance – Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The Town expects such amounts, if any, to be immaterial.

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

Electric Light Department - MELD is a Town owned utility responsible for the purchase and distribution of electric power throughout the Town of Middleton. MELD has its own Board of Commissioners elected at large by the citizenry of the Town of Middleton.

MELD is a Participant in certain Projects of the Massachusetts Municipal Wholesale Electric Company (MMWEC).

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts, created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in, and to issue revenue bonds to finance, electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other entities and also owns and operates its own electric facilities. MMWEC operates the Stony Brook Intermediate Project and the Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has the Nuclear Mix No 1 Project, Nuclear Project Three, Nuclear Project Four, Nuclear Project Five and Project Six, which comprise an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by NextEra Energy Seabrook, LLC and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated by Dominion Nuclear Connecticut, Inc. The operating license for Seabrook Station extends to March 15, 2050. The operating license for the Millstone Unit 3 nuclear unit extends to November 25, 2045.

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

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

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

The total capital expenditures and annual capacity, fuel and transmission costs (which include debt service and decommissioning expenses as discussed above), and amount of required debt service payments (if applicable) under the PSAs associated with the Light Department's Project Capability of the Projects in which it participates for the years ended December 31, 2023 and 2022, respectively were as follows:

Projects	Percentage Share	Total Capital	Capacity, Fuel & Transmission		Capacity, Fuel & Transmission
		Expenditures 2023	Billed 2023	Billed 2022	
Stony Brook Peaking Project	1.8916%	\$ 1,193,747	\$ 109,330	\$ 101,373	
Stony Brook Intermediate Project	0.9670%	1,774,503	149,608	222,863	
Nuclear Mix No. 1-Seabrook	1.6535%	172,105	7,997	7,929	
Nuclear Mix No. 1-Millstone	1.6535%	1,066,482	94,609	98,238	
Nuclear Project No. 3-Millstone	0.5469%	852,778	62,065	64,570	
Nuclear Project No. 4-Seabrook	1.6460%	5,059,135	209,104	207,718	
Nuclear Project No. 5-Seabrook	0.6376%	529,968	20,968	20,864	
Project No. 6-Seabrook	4.1186%	23,385,092	726,930	722,460	
Totals		\$ 34,033,810	\$ 1,380,611	\$ 1,446,015	

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

F. Landfill Closure and Post-Closure Care Costs

The Town's landfill is closed and a final cover has been installed in accordance with Federal and State laws and regulations. Those laws and regulations also require the Town to perform certain maintenance and monitoring functions ("post-closure care") at the site for 30 years after the landfill cover is installed. In addition, the Town acquired a parcel of land in fiscal year 2009 that was formerly used as a landfill and is responsible for post-closure testing and monitoring. Finally, the Town acquired another parcel of land that was formerly used as the Town landfill and is also responsible for the post-closure testing and monitoring of the site.

In accordance with generally accepted accounting principles, the estimated remaining cost of monitoring and other post-closure liabilities for these three parcels, \$577,500, has been recorded as a governmental activities' liability; actual costs may be higher due to inflation, changes in technology, or changes in regulations.

G. Implementation of New GASB Pronouncements

Current 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 adoption of this standard did not have a material impact on the Town's financial statements.

Future Year Implementations

In June 2022, the GASB issued GASB Statement No. 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.

In December 2023, the GASB issued GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2024 (fiscal year 2025). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In April 2024, the GASB issued GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2025 (fiscal year 2026). The Town is currently evaluating whether adoption will have a material impact on its financial statements.

TOWN OF MIDDLETON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2024

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

(dollar amounts are in thousands)

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
2023	5.26%	\$ 24,824	\$ 9,544	260.10%	61.1%
2022	5.26%	24,386	8,417	289.72%	57.6%
2021	5.50%	19,110	8,942	213.71%	67.0%
2020	5.26%	20,893	7,957	262.57%	59.7%
2019	5.07%	21,354	7,652	279.06%	55.5%
2018	5.22%	22,036	7,695	286.37%	51.9%
2017	5.23%	19,679	7,388	266.36%	55.4%
2016	5.06%	19,507	7,060	276.30%	51.1%
2015	4.93%	17,900	6,129	292.05%	51.1%

SCHEDULE OF THE TOWN'S CONTRIBUTIONS TO PENSION PLAN

(dollar amounts are in thousands)

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
2024	\$ 2,652	\$ 2,653	\$ (1)	\$ 9,544	27.80%
2023	2,339	2,343	(4)	8,417	27.84%
2022	2,280	2,282	(2)	8,942	25.52%
2021	2,032	2,034	(2)	7,957	25.56%
2020	1,820	1,822	(2)	7,652	23.81%
2019	1,743	1,745	(2)	7,695	22.68%
2018	1,628	1,630	(2)	7,388	22.06%
2017	1,467	1,468	(1)	7,060	20.79%
2016	1,258	1,258	-	6,129	20.53%

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

See accompanying independent auditor's report.

TOWN OF MIDDLETON, MASSACHUSETTS**REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS**
YEAR ENDED JUNE 30, 2024**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
2024	100.0%	0.0%	\$ 23,719,896	\$ 2,214,730	0.090223%
2023	100.0%	0.0%	23,268,960	1,914,099	0.089883%
2022	100.0%	0.0%	20,945,759	1,680,810	0.092244%
2021	100.0%	0.0%	25,497,070	3,149,253	0.089323%
2020	100.0%	0.0%	22,256,968	2,699,044	0.088272%
2019	100.0%	0.0%	20,991,728	2,127,208	0.088531%
2018	100.0%	0.0%	20,025,095	2,090,078	0.087502%
2017	100.0%	0.0%	19,360,972	1,974,946	0.086596%
2016	100.0%	0.0%	13,785,388	957,737	0.086720%

* Amounts determined for the previous year ended June 30.

Contributions to 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 compiled, information is presented for those years in which information is available.

See accompanying independent auditor's report.

TOWN OF MIDDLETON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
YEAR ENDED JUNE 30, 2024

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

	June 30							
	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability:								
Service cost	\$ 763,802	\$ 728,862	\$ 950,245	\$ 814,764	\$ 785,898	\$ 1,055,101	\$ 883,961	\$ 845,336
Interest	1,247,376	1,170,622	960,155	942,679	962,580	1,048,772	1,087,561	1,012,331
Difference between expected and actual plan experience	(2,304,049)	-	(3,721,986)	-	(3,226,197)	-	302,431	-
Changes of assumptions	(2,277,637)	304,234	932,942	1,436,876	424,641	1,682,663	-	-
Benefit payments	(687,881)	(567,286)	(609,888)	(557,585)	(484,676)	(609,902)	(565,578)	(510,717)
Net change in total OPEB liability	<u>(3,258,389)</u>	<u>1,636,432</u>	<u>(1,488,532)</u>	<u>2,636,734</u>	<u>(1,537,754)</u>	<u>3,176,634</u>	<u>1,708,375</u>	<u>1,346,950</u>
Total OPEB liability - beginning of year	22,091,311	20,454,879	21,943,411	19,306,677	20,844,431	17,667,797	15,959,422	14,612,472
Total OPEB liability - end of year (a)	<u>\$ 18,832,922</u>	<u>\$ 22,091,311</u>	<u>\$ 20,454,879</u>	<u>\$ 21,943,411</u>	<u>\$ 19,306,677</u>	<u>\$ 20,844,431</u>	<u>\$ 17,667,797</u>	<u>\$ 15,959,422</u>
Plan fiduciary net position:								
Contributions - employer	\$ 887,881	\$ 717,286	\$ 784,888	\$ 632,585	\$ 534,676	\$ 684,902	\$ 615,578	\$ 610,717
Net investment income	228,645	115,666	(77,941)	419,599	26,543	72,264	96,789	109,117
Benefit payments	(687,881)	(567,286)	(609,888)	(557,585)	(484,676)	(609,902)	(565,578)	(510,717)
Net change in Plan fiduciary net position	<u>428,645</u>	<u>265,666</u>	<u>97,059</u>	<u>494,599</u>	<u>76,543</u>	<u>147,264</u>	<u>146,789</u>	<u>209,117</u>
Plan fiduciary net position - beginning of year	2,226,788	1,961,122	1,864,063	1,369,464	1,292,921	1,145,657	998,868	789,751
Plan fiduciary net position - end of year (b)	<u>\$ 2,655,433</u>	<u>\$ 2,226,788</u>	<u>\$ 1,961,122</u>	<u>\$ 1,864,063</u>	<u>\$ 1,369,464</u>	<u>\$ 1,292,921</u>	<u>\$ 1,145,657</u>	<u>\$ 998,868</u>
Net OPEB liability - end of year (a) - (b)	<u>\$ 16,177,489</u>	<u>\$ 19,864,523</u>	<u>\$ 18,493,757</u>	<u>\$ 20,079,348</u>	<u>\$ 17,937,213</u>	<u>\$ 19,551,510</u>	<u>\$ 16,522,140</u>	<u>\$ 14,960,554</u>
Plan fiduciary net position as a percentage of the total OPEB liability	14.10%	10.08%	9.59%	8.49%	7.09%	6.20%	6.48%	6.26%
Covered-employee payroll	\$ 19,151,186	\$ 17,217,593	\$ 16,716,013	\$ 14,679,968	\$ 14,252,396	\$ 11,055,578	\$ 10,733,570	\$ 10,700,000
Net OPEB liability as a percentage of covered-employee payroll	84.47%	115.37%	110.63%	136.78%	125.85%	176.85%	153.93%	139.82%

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.

Note: An error in assumptions was discovered during fiscal year 2020. The error, totalling \$4,884,751, was applied to all periods presented and reduced the net OPEB liability.

See independent auditors' report.

TOWN OF MIDDLETON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
YEAR ENDED JUNE 30, 2024

SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS

	June 30							
	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially-determined contribution	\$ 1,584,763	\$ 1,650,909	\$ 1,814,870	\$ 1,607,679	\$ 1,868,286	\$ 2,490,680	\$ 2,189,164	\$ 2,033,068
Contributions in relation to the actuarially-determined contribution	(887,881)	(717,286)	(784,888)	(632,585)	(534,676)	(684,902)	(615,578)	(610,717)
Contribution deficiency (excess)	\$ 696,882	\$ 933,623	\$ 1,029,982	\$ 975,094	\$ 1,333,610	\$ 1,805,778	\$ 1,573,586	\$ 1,422,351
Covered-employee payroll	\$19,151,186	\$17,217,593	\$16,716,013	\$14,679,968	\$14,252,396	\$11,055,578	\$10,733,570	\$10,700,000
Contribution as a percentage of covered-employee payroll	4.64%	4.17%	4.70%	4.31%	3.75%	6.20%	5.74%	5.71%
Valuation Date	July 1, 2023							
Amortization Period	30 years							
Investment rate of return	6.97%							
Municipal Bond Rate	4.21%							
Single Equivalent Discount Rate	6.30%							
Inflation	2.50%							
Healthcare cost trend rates	5.00% => 3.63% in 2060							
Salary increases	3.00%							
Actuarial Cost Method	Individual Entry Age Normal (for all years presented)							
Asset Valuation Method	Fair Value of Assets as of Reporting Date (for all years presented)							

SCHEDULE OF INVESTMENT RETURNS
LAST 10 FISCAL YEARS

	June 30,							
	2024	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	9.59%	5.57%	-4.15%	29.33%	1.99%	6.14%	9.46%	10.92%

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 MIDDLETON, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2024

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
Real estate and personal property taxes, net	\$ 37,174,134	\$ 37,331,848	\$ 36,922,163		\$ 36,922,163	\$ (409,685)
Intergovernmental	2,564,636	2,564,636	2,617,733		2,617,733	53,097
Motor vehicle and other excises	2,560,000	2,560,000	3,015,873		3,015,873	455,873
Payments in lieu of taxes	357,267	357,267	351,963		351,963	(5,304)
License and permits	516,000	516,000	623,235		623,235	107,235
Departmental and other revenue	552,846	552,846	736,760		736,760	183,914
Penalties and interest on taxes	80,000	80,000	92,026		92,026	12,026
Fines and forfeitures	10,000	10,000	13,079		13,079	3,079
Investment income	100,000	100,000	3,690,147		3,690,147	3,590,147
 Total Revenues	 43,914,883	 44,072,597	 48,062,979	 \$ -	 48,062,979	 3,990,382
 EXPENDITURES						
General government	3,377,639	3,427,078	2,692,930	331,708	3,024,638	402,440
Public safety	5,797,749	5,917,341	5,152,423	669,357	5,821,780	95,561
Education	27,337,716	27,337,716	26,779,710	546,043	27,325,753	11,963
Public works	2,413,813	2,450,378	2,089,470	69,024	2,158,494	291,884
Health and human services	951,003	1,033,917	552,946	189,821	742,767	291,150
Culture and recreation	805,372	805,372	754,718	3,334	758,052	47,320
Pension and employee benefits	3,395,892	3,401,738	3,343,336	50	3,343,386	58,352
State and county tax assessments	359,180	359,180	329,201	-	329,201	29,979
Debt service	3,805,331	3,805,331	3,805,330	-	3,805,330	1
 Total Expenditures	 48,243,695	 48,538,051	 45,500,064	 1,809,337	 47,309,401	 1,228,650
 OTHER FINANCING SOURCES (USES)						
Transfers in	1,552,464	1,552,464	1,571,333		1,571,333	18,869
Transfers out	(152,177)	(852,177)	(852,177)		(852,177)	-
 Total Other Financing Sources (Uses)	 1,400,287	 700,287	 719,156	 \$ -	 \$ 719,156	 18,869
 EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE	 (2,928,525)	 (3,765,167)	 \$ 3,282,071			 \$ 5,237,901
 Other Budgetary Items:						
Undesignated surplus (free cash)	1,372,110	2,208,752				
Overlay surplus	150,000	150,000				
Prior year encumbrances	1,406,415	1,406,415				
 Net Budget	 \$ -	 \$ -				

See accompanying independent auditors' report.

See accompanying notes to required supplementary information.

TOWN OF MIDDLETON, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION AS OF AND FOR THE YEAR ENDED JUNE 30, 2024

I. Budgetary Basis of Accounting

Budgetary Information – An annual budget is legally adopted for the general fund. Financial orders are initiated by department heads, recommended by the 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. Department heads may transfer, without Town meeting approval, appropriation balances from one expenditure account to another within each department. The Town Meeting, however, must approve any transfer of unencumbered appropriation balances between departments. At the close of each fiscal year, unencumbered appropriation balances lapse or reverts to unreserved fund balance.

The Town adopts an annual budget for the general fund in conformity with the guidelines described above. During the fiscal year, Town Meeting increased appropriations by approximately \$1.0 million, which were primarily used for stabilization funds (\$0.7 million), public safety (\$0.1 million) and health and human services (\$0.1 million).

The Town Accountant has the responsibility to ensure that budgetary control is maintained in the manner in which the appropriations were voted at Town Meeting. Budgetary control is exercised through the Town’s accounting system.

Budgetary-to-GAAP Reconciliation – The Town’s general fund is prepared on a basis other than GAAP. A reconciliation of the budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2024, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 48,062,979
Stabilization revenue	\$ -	\$ 288,631	288,631
Change in revenue recognition	366,321	-	366,321
On behalf payments	2,214,730	-	2,214,730
Revenues on a GAAP basis	\$ 2,581,051	\$ 288,631	\$ 50,932,661
Expenditures on a budgetary basis			\$ 45,500,064
Change in expenditure recognition	\$ (4,835)	\$ -	(4,835)
On behalf payments	2,214,730	-	2,214,730
Expenditures on a GAAP basis	\$ 2,209,895	\$ -	\$ 47,709,959
Other financing sources (uses) on a budgetary basis			\$ 719,156
Stabilization transfers, net	\$ -	\$ 348,000	348,000
Other financing sources (uses) on a GAAP basis	\$ -	\$ 348,000	\$ 1,067,156