



**Powers &
Sullivan, LLC**
CPAs AND ADVISORS

TOWN OF ORLEANS, MASSACHUSETTS

***REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS***

YEAR ENDED JUNE 30, 2023

TOWN OF ORLEANS, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

TABLE OF CONTENTS

Independent Auditor’s Report.....	1
Management’s Discussion and Analysis	5
Basic Financial Statements	15
Statement of net position.....	17
Statement of activities	18
Governmental funds – balance sheet	20
Reconciliation of the governmental funds balance sheet total fund balances to the statement of net position.....	21
Governmental funds – statement of revenues, expenditures and changes in fund balances	22
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities	23
Proprietary funds – statement of net position.....	24
Proprietary funds – statement of revenues, expenditures and changes in net position	25
Proprietary funds – statement of cash flows	26
Fiduciary funds – statement of fiduciary net position	27
Fiduciary funds – statement of changes in fiduciary net position.....	28
Notes to basic financial statements.....	29
Required Supplementary Information.....	63
Budgetary Comparison Schedules.....	64
Schedule of revenues, expenditures and changes in fund balance – general fund – budget and actual.....	65
Schedule of revenues, expenditures and changes in fund balance – water fund – budget and actual.....	66
Pension Plan Schedules	67
Schedule of the Town’s proportionate share of the net pension liability.....	68
Schedule of the Town’s contributions	69
Schedule of special funding amounts of the net pension liability.....	70
Other Postemployment Benefits Plan Schedules	71
Schedule of changes in the Town’s net OPEB liability and related ratios	72
Schedule of the Town’s contributions	73
Schedule of investment returns.....	74
Notes to Required Supplementary Information.....	75
Report on Internal Control over Financial Reporting and on Compliance.....	79

Independent Auditor's Report

To the Honorable Select Board
Town of Orleans, 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 Orleans, Massachusetts, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Orleans, Massachusetts' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Orleans, Massachusetts, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Orleans, Massachusetts 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a

guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgement 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 auditing 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 judgement, 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 required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2023, on our consideration of the Town of Orleans, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Orleans, Massachusetts' 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 of Orleans, Massachusetts' internal control over financial reporting and compliance.



November 29, 2023

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Management's Discussion and Analysis

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Management's Discussion and Analysis

As management of the Town of Orleans, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2023. We encourage readers to consider the information presented in this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Orleans's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The government-wide financial statements provide both long-term and short-term information about the Town as a whole. The fund financial statements focus on the individual components of the Town government, reporting the Town's operations in more detail than the government-wide statements. Both presentations (government-wide and fund based) allow the user to address relevant questions, broaden the basis of comparison and enhance the Town's accountability. An additional part of the basic financial statements are the notes to the financial statements. The report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all assets and deferred outflows and liabilities and deferred inflows, with the difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent 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 periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, education, public works, community development, human services, water, culture and recreation, and interest. The business-type activities include the beaches, moorings, Rock Harbor boat basin, transfer station, and sewer 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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the 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. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Orleans adopts an annual appropriated budget for its general fund and water special revenue fund. Budgetary comparison schedules have been provided for the general fund and the water fund to demonstrate compliance with these budgets.

The Town's general fund, community preservation fund, water fund, capital projects fund, and the affordable housing trust fund are considered major funds for presentation purposes. These major funds are presented in separate columns in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. The remaining governmental funds are aggregated and shown as nonmajor governmental funds.

Proprietary funds. The Town maintains one type of proprietary fund.

Enterprise funds are used to report the same functions presented as *business-type activities* in the governmentwide financial statements. The Town uses enterprise funds to account for its sewer, transfer station, beaches, Rock Harbor boat basin, and moorings activities, all of which are presented as major funds.

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 statements 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. The Town uses the fiduciary funds to account for its Other Postemployment Benefit (OPEB) trust fund and for the private purpose trust fund.

Notes to the basic 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.

Financial Highlights

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town of Orleans's governmental assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources for governmental activities by \$16.2 million at the close of 2023, which is a decrease of \$22.4 million from the prior year mainly relating to the transfer of net governmental capital assets to the newly established enterprise funds, offset by the recognition of \$15.8 million in capital grants and contributions.

The Town voted to establish five new enterprise funds as of July 1, 2021 whose activities were previously reported within governmental funds and governmental activities. All related assets, deferred outflows, liabilities, and deferred inflows, except for bonds and notes liabilities, were transferred from governmental activities to business-type activities as of July 1, 2021. The general fund currently remains responsible for the payment of debt service related to these five new enterprise funds.

The Town has begun construction of a multi-phased Sewer Infrastructure Project. Phase I consists of constructing a wastewater treatment facility, effluent disposal system, wastewater collection system and pumping stations. This phase is substantially complete and operational. Construction costs are being funded by a Cape and Islands Water Protection Fund grant (\$14.9 million) and a zero percent interest loan with the Massachusetts Clean Water Trust (\$44.5 million). Eighty percent of the debt costs of Phase I will be paid by property taxes. The remaining

twenty percent will be assessed as betterments payable by those properties that benefit from the project. Betterments are estimated to be assessed to property owners in December 2024.

Key components of the Town’s activities are presented below.

Governmental Activities

	2023	2022
Assets:		
Current assets.....	\$ 41,924,888	\$ 36,033,232
Capital assets, non depreciable.....	41,824,676	70,561,814
Capital assets, net of accumulated depreciation....	81,532,433	82,417,431
Total assets.....	165,281,997	189,012,477
Deferred outflows of resources.....	5,447,430	4,164,065
Liabilities:		
Current liabilities (excluding debt).....	6,243,863	3,942,248
Noncurrent liabilities (excluding debt).....	41,249,500	34,445,379
Current debt.....	48,260,419	60,892,638
Noncurrent debt.....	55,068,184	45,635,992
Total liabilities.....	150,821,966	144,916,257
Deferred inflows of resources.....	3,662,961	9,622,708
Net position:		
Net investment in capital assets.....	23,947,891	47,076,398
Restricted.....	8,426,953	7,808,815
Unrestricted.....	(16,130,344)	(16,247,636)
Total net position.....	\$ 16,244,500	\$ 38,637,577

Net position of \$23.9 million reflects the investment in capital assets (e.g., land, infrastructure, buildings and improvements, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the governmental net position amounting to \$8.4 million represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position resulted in a deficit of \$16.1 million as a result of recognizing the Town’s net pension and net OPEB liabilities of \$23.7 million and \$16.1 million, respectively.

	2023	2022
Program Revenues:		
Charges for services.....	\$ 5,537,648	\$ 3,950,645
Operating grants and contributions.....	2,438,114	3,005,647
Capital grants and contributions.....	15,806,601	1,364,411
General Revenues:		
Real estate and personal property taxes, net of tax refunds payable.....	35,917,948	33,464,469
Tax and other liens.....	81,458	74,998
Motor vehicle and other excise taxes.....	1,433,001	1,444,682
Hotel/motel tax.....	1,709,262	1,614,758
Meals tax.....	410,714	352,160
Community preservation tax.....	1,066,637	995,846
Penalties and interest on taxes.....	220,653	172,267
Payments in lieu of taxes.....	4,623	4,631
Grants and contributions not restricted to specific programs.....	148,924	87,187
Unrestricted investment income.....	620,747	96,394
Miscellaneous.....	168,774	30,513
Total revenues.....	65,565,104	46,658,608
Expenses:		
General government.....	5,425,225	4,227,082
Public safety.....	11,251,996	9,393,658
Education.....	12,346,965	11,222,383
Public works.....	2,235,338	2,424,280
Community development.....	615,395	623,701
Human services.....	1,961,777	1,730,594
Water.....	2,068,314	2,201,370
Culture and recreation.....	2,898,836	2,361,178
Interest.....	1,392,526	1,329,898
Total expenses.....	40,196,372	35,514,144
Excess (Deficiency) before transfers.....	25,368,732	11,144,464
Transfers.....	(47,761,809)	(39,094,950)
Change in net position.....	(22,393,077)	(27,950,486)
Net position, beginning of year.....	38,637,577	66,588,063
Net position, end of year.....	\$ 16,244,500	\$ 38,637,577

The governmental activities net position decreased by \$22.4 million during the current year compared to a decrease in net position of \$28.0 million in the prior year. The \$22.4 million decrease in the current year was mainly the result of the transfers of capital assets to the newly established enterprise funds in the amounts of \$45.4 million. This decrease was offset by the recognition of \$15.8 million of capital grants and contributions. General revenues increased in virtually all categories. General government, public safety, and education expenses increased due to increases in the general fund budget, changes to the Town's long-term liabilities, and an increase in non-capital related expenses.

Business-type Activities. The Town of Orleans established five new enterprise funds as of July 1, 2021. The intent of these funds is to; 1) provide full transparency of these business-type activities; 2) to operate each fund in an innovative and efficient manner that is consistent with their specific mission/purpose; and 3) to strive to fund the operations primarily through fees paid by users of the services. Funds raised through user fees are dedicated to the ongoing operations of each fund.

Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources for business-type activities by \$85.9 million at the close of 2023.

	2023	2022
Assets:		
Current assets.....	\$ 3,059,948	\$ 1,649,108
Capital assets, non depreciable.....	5,446,517	23,562,072
Capital assets, net of accumulated depreciation....	80,787,953	17,620,756
Total assets.....	89,294,418	42,831,936
Deferred outflows of resources.....	450,290	335,783
Liabilities:		
Current liabilities (excluding debt).....	167,918	162,294
Noncurrent liabilities (excluding debt).....	3,402,101	2,783,396
Total liabilities.....	3,570,019	2,945,690
Deferred inflows of resources.....	316,437	809,686
Net position:		
Net investment in capital assets.....	86,234,470	41,182,828
Unrestricted.....	(376,218)	(1,770,485)
Total net position.....	\$ 85,858,252	\$ 39,412,343

Business-type activities assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$85.9 million at the close of 2023. Net investment in capital assets was \$86.2 million and unrestricted net position was in a deficit of \$376,000 mainly as the result of recording net pension and OPEB liabilities in the total amount of \$3.4 million.

Governmental capital assets were transferred to the enterprise funds in the amount of \$45.4 million during FY2023.

	<u>2023</u>	<u>2022</u>
Program Revenues:		
Charges for services:		
Beaches.....	\$ 2,079,541	\$ 2,179,088
Moorings.....	193,885	162,360
Rock Harbor boat basin.....	126,918	112,800
Transfer Station.....	745,108	720,402
Sewer.....	161,720	550
Total charges for services.....	<u>3,307,172</u>	<u>3,175,200</u>
General Revenues:		
Unrestricted investment income.....	15,134	386
Total revenues.....	<u>3,322,306</u>	<u>3,175,586</u>
Expenses:		
Beaches.....	1,659,868	1,429,298
Moorings.....	161,151	150,116
Rock Harbor boat basin.....	190,429	182,219
Transfer Station.....	954,245	842,153
Sewer.....	1,672,513	254,407
Total expenses.....	<u>4,638,206</u>	<u>2,858,193</u>
Excess (Deficiency) before transfers.....	(1,315,900)	317,393
Transfers.....	<u>47,761,809</u>	<u>39,094,950</u>
Change in net position.....	46,445,909	39,412,343
Net position, beginning of year.....	<u>39,412,343</u>	<u>-</u>
Net position, end of year.....	<u>\$ 85,858,252</u>	<u>\$ 39,412,343</u>

The beaches enterprise fund had revenues of \$2.1 million, operating expenses of \$1.7 million, and an ending net position of \$7.2 million.

The moorings enterprise fund had revenues of \$194,000, operating expenses of \$161,000, and an ending net position of \$45,000.

The Rock Harbor boat basin enterprise fund had revenues of \$127,000, operating expenses of \$190,000, total transfers in of \$184,000 (\$79,000 for operations and \$106,000 of capital contributions), and an ending net position of \$3.1 million.

The transfer station enterprise fund had revenues of \$745,000, operating expenses of \$954,000, total net transfers in of \$922,000 (\$468,000 for operations, \$454,000 of capital contributions), and an ending net position of \$421,000.

The sewer enterprise fund had revenues of \$162,000, operating expenses of \$1.7 million, total transfers in of \$46.8 million (\$2.0 million for operations and \$44.8 million of capital contributions), and an ending net position of \$75.1 million.

Please refer to page 25 of this report for additional information.

Financial Analysis of the Government's Funds

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

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

As of the end of the current year governmental funds reported combined ending fund balance deficit of \$10.6 million, an increase of \$15.4 million from the prior year. The increase relates mainly to the capital projects fund expenditures that have been permanently financed with \$14.9 million of bond proceeds and a \$14.9 million capital grant.

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$10.8 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 27.9% of total general fund expenditures, while total fund balance represents 32.5% of that same amount.

The general fund balance increased by \$1.3 million for the year ended June 30, 2023, which is mainly the result of expenditure turn backs.

The Community Preservation fund had an ending fund balance as of June 30, 2023 of \$2.9 million, which increased \$90,000 from the prior year.

The Water fund had an ending fund balance as of June 30, 2023 of \$3.5 million, which is a decrease of \$90,000 from 2022. The water fund had revenues of \$3.0 million, expenditures of \$1.4 million, and transfers out to the general fund and capital projects funds in the amounts of \$1.5 million and \$160,000, respectively.

The Capital Projects fund had an ending fund balance deficit of \$38.4 million, which is an increase of \$13.7 million from the prior year. The increase is due to construction costs that have been financed with bond proceeds and a capital grant as discussed above.

The Affordable Housing Trust Fund had an ending fund balance of \$1.9 million, which is an increase of \$754,000 from 2022, mainly due to transfers in from the general fund and the Community Preservation fund in the amounts of \$275,000 and \$500,000, respectively.

Budgetary Highlights

General Fund

Actual general fund revenues exceeded budgeted amounts by \$1.2 million mainly due to increased motor vehicle and other excise taxes, departmental and other revenues, and investment income. Actual expenditures, including carryovers, were less than the budgeted amounts by \$1.9 million due to budgetary savings in virtually all categories. The Town has carried over \$1.2 million in appropriations to 2024.

Water Fund

Actual revenues came in slightly under budgeted amounts and actual expenditures, including carryovers, were less than budgeted amounts by \$131,000. After transferring \$1.5 million to the general fund for overhead and \$160,000 to capital project funds, the fund balance decreased for the year by \$90,000.

Capital Assets and Debt Administration

Capital Assets. The Town's investment in capital assets as of June 30, 2023, amounted to \$209.6 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, infrastructure, machinery and equipment, vehicles, and library materials.

During 2023, the Town had capital asset acquisitions of \$20.0 million. This includes \$16.2 million for construction in progress (wastewater project and various other projects) and \$3.8 million for various improvements, infrastructure, vehicles and machinery and equipment.

The Town transferred \$45.4 million of governmental net capital assets to the newly formed enterprise funds during 2023.

Debt Administration. The Town has a "AAA" bond rating from Standard and Poor's Ratings Services and continues to maintain strong market access for both note and bond sales. At the end of the year the Town had total bonded debt outstanding of \$60.5 million. \$45.6 million is classified as general obligation debt and is backed by the full faith and credit of the Town. During 2023, the Town permanently financed \$14.9 million of Massachusetts Clean Water Trust direct borrowings. During the year, the Town made principal payments on older issues totaling \$4.7 million.

The Town has \$42.8 million of bond anticipation notes (BANs) outstanding as of June 30, 2023. The BANs are primarily related to the Wastewater Project and include the Massachusetts Clean Water Trust interim loan in the amount of \$25.4 million.

Please refer to the notes 4,6, and 7 to the basic financial statements for further discussion of the major capital and debt activity.

Requests for Information

This financial report is designed to provide a general overview of the Town of Orleans's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, 19 School Road, Orleans, Massachusetts 02653.

Basic Financial Statements

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STATEMENT OF NET POSITION

JUNE 30, 2023

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 27,358,545	\$ 2,990,310	\$ 30,348,855
Investments.....	9,875,744	-	9,875,744
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	385,406	-	385,406
Tax liens.....	139,876	-	139,876
Motor vehicle and other excise taxes.....	91,411	-	91,411
User charges.....	880,808	69,638	950,446
Departmental and other.....	720,060	-	720,060
Intergovernmental.....	2,361,903	-	2,361,903
Loans.....	78,551	-	78,551
Tax foreclosures.....	32,584	-	32,584
Total current assets.....	<u>41,924,888</u>	<u>3,059,948</u>	<u>44,984,836</u>
NONCURRENT:			
Capital assets, nondepreciable.....	41,824,676	5,446,517	47,271,193
Capital assets, net of accumulated depreciation.....	<u>81,532,433</u>	<u>80,787,953</u>	<u>162,320,386</u>
Total noncurrent assets.....	<u>123,357,109</u>	<u>86,234,470</u>	<u>209,591,579</u>
TOTAL ASSETS.....	<u>165,281,997</u>	<u>89,294,418</u>	<u>254,576,415</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows for refunding debt.....	130,093	-	130,093
Deferred outflows related to pensions.....	4,386,954	369,132	4,756,086
Deferred outflows related to other postemployment benefits.....	<u>930,383</u>	<u>81,158</u>	<u>1,011,541</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	<u>5,447,430</u>	<u>450,290</u>	<u>5,897,720</u>
LIABILITIES			
CURRENT:			
Warrants payable.....	2,737,580	126,255	2,863,835
Accrued payroll.....	686,533	41,663	728,196
Tax refunds payable.....	127,227	-	127,227
Accrued interest.....	665,510	-	665,510
Other liabilities.....	534,688	-	534,688
Unearned revenue.....	936,325	-	936,325
Landfill closure.....	34,000	-	34,000
Compensated absences.....	522,000	-	522,000
Notes payable.....	42,840,312	-	42,840,312
Bonds payable.....	<u>5,420,107</u>	<u>-</u>	<u>5,420,107</u>
Total current liabilities.....	<u>54,504,282</u>	<u>167,918</u>	<u>54,672,200</u>
NONCURRENT:			
Landfill closure.....	408,000	-	408,000
Compensated absences.....	1,000,094	-	1,000,094
Net pension liability.....	23,736,458	1,997,260	25,733,718
Other postemployment benefits.....	16,104,948	1,404,841	17,509,789
Bonds payable.....	<u>55,068,184</u>	<u>-</u>	<u>55,068,184</u>
Total noncurrent liabilities.....	<u>96,317,684</u>	<u>3,402,101</u>	<u>99,719,785</u>
TOTAL LIABILITIES.....	<u>150,821,966</u>	<u>3,570,019</u>	<u>154,391,985</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions.....	999,069	84,065	1,083,134
Deferred inflows related to other postemployment benefits.....	<u>2,663,892</u>	<u>232,372</u>	<u>2,896,264</u>
TOTAL DEFERRED INFLOWS OF RESOURCES.....	<u>3,662,961</u>	<u>316,437</u>	<u>3,979,398</u>
NET POSITION			
Net investment in capital assets.....	23,947,891	86,234,470	110,182,361
Restricted for:			
Permanent funds:			
Expendable.....	4,934,526	-	4,934,526
Nonexpendable.....	372,424	-	372,424
Community preservation.....	3,120,003	-	3,120,003
Unrestricted.....	<u>(16,130,344)</u>	<u>(376,218)</u>	<u>(16,506,562)</u>
TOTAL NET POSITION.....	<u>\$ 16,244,500</u>	<u>\$ 85,858,252</u>	<u>\$ 102,102,752</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 5,425,225	\$ 524,036	\$ 139,248	\$ 14,852,300	\$ 10,090,359
Public safety.....	11,251,996	1,604,613	757,222	180,048	(8,710,113)
Education.....	12,346,965	-	1,274,755	-	(11,072,210)
Public works.....	2,235,338	22,760	169,069	272,476	(1,771,033)
Community development.....	615,395	-	-	501,777	(113,618)
Human services.....	1,961,777	262,843	38,696	-	(1,660,238)
Water.....	2,068,314	3,002,833	-	-	934,519
Culture and recreation.....	2,898,836	120,563	59,124	-	(2,719,149)
Interest.....	1,392,526	-	-	-	(1,392,526)
Total Governmental Activities.....	40,196,372	5,537,648	2,438,114	15,806,601	(16,414,009)
<i>Business-Type Activities:</i>					
Beaches.....	1,659,868	2,079,541	-	-	419,673
Moorings.....	161,151	193,885	-	-	32,734
Rock Harbor boat basin.....	190,429	126,918	-	-	(63,511)
Transfer station.....	954,245	745,108	-	-	(209,137)
Sewer.....	1,672,513	161,720	-	-	(1,510,793)
Total Business-Type Activities.....	4,638,206	3,307,172	-	-	(1,331,034)
Total Primary Government.....	\$ 44,834,578	\$ 8,844,820	\$ 2,438,114	\$ 15,806,601	\$ (17,745,043)

(Continued)

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page..... \$	(16,414,009)	\$ (1,331,034)	\$ (17,745,043)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	35,917,948	-	35,917,948
Tax and other liens.....	81,458	-	81,458
Motor vehicle and other excise taxes.....	1,433,001	-	1,433,001
Hotel/motel tax.....	1,709,262	-	1,709,262
Meals tax.....	410,714	-	410,714
Community preservation tax.....	1,066,637	-	1,066,637
Penalties and interest on taxes.....	220,653	-	220,653
Payments in lieu of taxes.....	4,623	-	4,623
Grants and contributions not restricted to specific programs.....	148,924	-	148,924
Unrestricted investment income.....	620,747	15,134	635,881
Miscellaneous.....	168,774	-	168,774
<i>Transfers, net</i>	<u>(47,761,809)</u>	<u>47,761,809</u>	<u>-</u>
Total general revenues and transfers.....	<u>(5,979,068)</u>	<u>47,776,943</u>	<u>41,797,875</u>
Change in net position.....	(22,393,077)	46,445,909	24,052,832
<i>Net position:</i>			
Beginning of year.....	<u>38,637,577</u>	<u>39,412,343</u>	<u>78,049,920</u>
End of year..... \$	<u><u>16,244,500</u></u>	<u><u>85,858,252</u></u>	<u><u>102,102,752</u></u>

(Concluded)

See notes to basic financial statements.

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2023

	General	Community Preservation Fund	Water Fund	Capital Projects Funds	Affordable Housing Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents.....	\$ 4,877,627	\$ 3,728,189	\$ 3,575,651	\$ 6,092,829	\$ 1,938,323	\$ 7,145,926	\$ 27,358,545
Investments.....	9,207,050	-	-	-	-	668,694	9,875,744
Receivables, net of uncollectibles:							
Real estate and personal property taxes.....	385,406	-	-	-	-	-	385,406
Tax liens.....	139,876	-	-	-	-	-	139,876
Motor vehicle and other excise taxes.....	91,411	-	-	-	-	-	91,411
User charges.....	-	-	880,808	-	-	-	880,808
Departmental and other.....	14,135	186,065	-	-	-	519,860	720,060
Intergovernmental - other.....	-	-	-	1,992,076	-	369,827	2,361,903
Loans.....	-	-	-	-	78,551	-	78,551
Tax foreclosures.....	32,584	-	-	-	-	-	32,584
Due from other funds.....	106,815	-	-	-	-	-	106,815
TOTAL ASSETS.....	\$ 14,854,904	\$ 3,914,254	\$ 4,456,459	\$ 8,084,905	\$ 2,016,874	\$ 8,704,307	\$ 42,031,703
LIABILITIES							
Warrants payable.....	\$ 247,026	\$ 94,191	\$ 35,421	\$ 2,303,537	\$ 5,624	\$ 51,781	\$ 2,737,580
Accrued payroll.....	671,691	60	10,962	-	46	3,774	686,533
Tax refunds payable.....	127,227	-	-	-	-	-	127,227
Due to other funds.....	-	-	-	-	-	106,815	106,815
Accrued interest on notes payable.....	261,583	-	-	-	-	-	261,583
Other liabilities.....	431,821	-	-	-	-	102,867	534,688
Unearned revenue.....	-	-	-	-	-	936,325	936,325
Notes payable.....	-	700,000	-	42,140,312	-	-	42,840,312
TOTAL LIABILITIES.....	1,739,348	794,251	46,383	44,443,849	5,670	1,201,562	48,231,063
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue.....	525,735	186,067	880,807	1,992,076	78,551	782,872	4,446,108
FUND BALANCES							
Nonspendable.....	-	-	-	-	-	372,424	372,424
Restricted.....	142,890	2,933,936	3,348,734	-	1,932,653	6,347,449	14,705,662
Committed.....	336,743	-	130,000	-	-	-	466,743
Assigned.....	1,279,161	-	50,535	-	-	-	1,329,696
Unassigned.....	10,831,027	-	-	(38,351,020)	-	-	(27,519,993)
TOTAL FUND BALANCES.....	12,589,821	2,933,936	3,529,269	(38,351,020)	1,932,653	6,719,873	(10,645,468)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 14,854,904	\$ 3,914,254	\$ 4,456,459	\$ 8,084,905	\$ 2,016,874	\$ 8,704,307	\$ 42,031,703

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION**

JUNE 30, 2023

Total governmental fund balances.....		\$ (10,645,468)
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		123,357,109
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		4,446,108
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not reported.....		1,784,469
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(403,927)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(60,488,291)	
Net pension liability.....	(23,736,458)	
Other postemployment benefits.....	(16,104,948)	
Landfill closure.....	(442,000)	
Compensated absences.....	<u>(1,522,094)</u>	
Net effect of reporting long-term liabilities.....		<u>(102,293,791)</u>
Net position of governmental activities.....		<u>\$ 16,244,500</u>

See notes to basic financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2023

	General	Community Preservation Fund	Water Fund	Capital Projects Funds	Affordable Housing Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:							
Real estate and personal property taxes, net of tax refunds.....	\$ 36,002,242	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,002,242
Tax liens.....	73,166	-	-	-	-	-	73,166
Motor vehicle and other excise taxes.....	1,426,887	-	-	-	-	-	1,426,887
Hotel/motel tax.....	-	-	-	-	-	1,709,262	1,709,262
Meals tax.....	410,714	-	-	-	-	-	410,714
Charges for services.....	201,938	-	2,918,917	-	14,400	508	3,135,763
Penalties and interest on taxes.....	178,681	3,912	38,060	-	-	-	220,653
Payments in lieu of taxes.....	4,623	-	-	-	-	-	4,623
Intergovernmental.....	1,520,741	501,777	-	14,937,976	-	546,703	17,507,197
Departmental and other.....	830,513	-	-	-	-	1,424,499	2,255,012
Community preservation tax.....	-	1,068,171	-	-	-	-	1,068,171
Contributions and donations.....	-	2,500	-	-	10,640	189,161	202,301
Investment income.....	510,164	45,007	-	-	39,696	25,680	620,547
Miscellaneous.....	37,627	-	-	-	-	400	38,027
TOTAL REVENUES.....	41,197,296	1,621,367	2,956,977	14,937,976	64,736	3,896,213	64,674,565
EXPENDITURES:							
Current:							
General government.....	3,296,086	-	-	14,750,080	85,367	337,984	18,469,517
Public safety.....	7,520,804	-	-	329,870	-	213,515	8,064,189
Education.....	11,969,301	-	-	48,450	-	137,960	12,155,711
Public works.....	562,717	-	-	1,917,436	-	325,420	2,805,573
Community development.....	-	620,725	-	-	-	-	620,725
Human services.....	1,267,065	-	-	-	-	126,091	1,393,156
Water.....	-	-	1,409,236	1,999,974	-	-	3,409,210
Culture and recreation.....	1,692,902	-	-	259,399	-	150,571	2,102,872
Pension benefits.....	2,263,922	-	-	-	-	-	2,263,922
Employee benefits.....	3,044,856	-	-	-	-	-	3,044,856
State and county charges.....	669,295	-	-	-	-	-	669,295
Debt service:							
Principal.....	4,390,464	309,536	-	-	-	-	4,700,000
Interest.....	2,086,215	106,857	-	-	-	-	2,193,072
TOTAL EXPENDITURES.....	38,763,627	1,037,118	1,409,236	19,305,209	85,367	1,291,541	61,892,098
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	2,433,669	584,249	1,547,741	(4,367,233)	(20,631)	2,604,672	2,782,467
OTHER FINANCING SOURCES (USES):							
Issuance of bonds.....	-	-	-	14,852,300	-	-	14,852,300
Premium from issuance of bonds and notes.....	-	6,244	-	149,315	-	-	155,559
Transfers in.....	2,491,532	-	32,755	3,329,087	775,000	-	6,628,374
Transfers out.....	(3,593,624)	(500,000)	(1,670,361)	(227,391)	-	(3,033,846)	(9,025,222)
TOTAL OTHER FINANCING SOURCES (USES).....	(1,102,092)	(493,756)	(1,637,606)	18,103,311	775,000	(3,033,846)	12,611,011
NET CHANGE IN FUND BALANCES.....	1,331,577	90,493	(89,865)	13,736,078	754,369	(429,174)	15,393,478
FUND BALANCES AT BEGINNING OF YEAR.....	11,258,244	2,843,443	3,619,134	(52,087,098)	1,178,284	7,149,047	(26,038,946)
FUND BALANCES AT END OF YEAR.....	\$ 12,589,821	\$ 2,933,936	\$ 3,529,269	\$ (38,351,020)	\$ 1,932,653	\$ 6,719,873	\$ (10,645,468)

See notes to basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2023

Net change in fund balances - total governmental funds.....	\$	15,393,478
<p>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.</p>		
Capital outlay.....	19,498,938	
Transfers of capital assets to the newly established enterprise funds.....	(45,364,961)	
Depreciation expense.....	<u>(3,756,113)</u>	
Net effect of reporting capital assets.....		(29,622,136)
<p>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. This amount represents the net change in unavailable revenue.....</p>		
		890,539
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p>		
Issuance of bonds.....	(14,852,300)	
Premium from issuance of bonds and notes.....	(155,559)	
Net amortization of premium from issuance of bonds.....	775,390	
Net change in deferred charge on refunding.....	(43,364)	
Debt service principal payments.....	<u>4,700,000</u>	
Net effect of reporting long-term debt.....		(9,575,833)
<p>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.</p>		
Net change in compensated absences accrual.....	(105,991)	
Net change in accrued interest on long-term debt.....	68,520	
Net change in deferred outflow/(inflow) of resources related to pensions.....	7,174,604	
Net change in net pension liability.....	(7,689,603)	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits...	111,872	
Net change in other postemployment benefits liability.....	927,473	
Net change in landfill closure.....	<u>34,000</u>	
Net effect of recording long-term liabilities.....		<u>520,875</u>
Change in net position of governmental activities.....	\$	<u><u>(22,393,077)</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2023

	Business-type Activities - Enterprise Funds					
	Sewer	Transfer Station	Beaches	Rock Harbor Boat Basin	Moorings	Total
ASSETS						
CURRENT:						
Cash and cash equivalents.....	\$ 1,450,129	\$ 363,919	\$ 940,327	\$ 190,698	\$ 45,237	\$ 2,990,310
Receivables, net of allowance for uncollectibles:						
User charges.....	69,638	-	-	-	-	69,638
Total current assets.....	1,519,767	363,919	940,327	190,698	45,237	3,059,948
NONCURRENT:						
Capital assets, non depreciable.....	1,962,919	-	3,356,454	127,144	-	5,446,517
Capital assets, net of accumulated depreciation.....	71,701,453	781,466	5,494,819	2,810,215	-	80,787,953
Total noncurrent assets.....	73,664,372	781,466	8,851,273	2,937,359	-	86,234,470
TOTAL ASSETS.....	75,184,139	1,145,385	9,791,600	3,128,057	45,237	89,294,418
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to pensions.....	-	76,461	292,671	-	-	369,132
Deferred outflows related to other postemployment benefits.....	-	18,080	63,078	-	-	81,158
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	-	94,541	355,749	-	-	450,290
LIABILITIES						
CURRENT:						
Warrants payable.....	94,983	20,442	10,109	635	86	126,255
Accrued payroll.....	-	3,083	38,580	-	-	41,663
Total current liabilities.....	94,983	23,525	48,689	635	86	167,918
NONCURRENT:						
Net pension liability.....	-	413,708	1,583,552	-	-	1,997,260
Other postemployment benefits.....	-	312,962	1,091,879	-	-	1,404,841
Total noncurrent liabilities.....	-	726,670	2,675,431	-	-	3,402,101
TOTAL LIABILITIES.....	94,983	750,195	2,724,120	635	86	3,570,019
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pensions.....	-	17,413	66,652	-	-	84,065
Deferred inflows related to other postemployment benefits.....	-	51,766	180,606	-	-	232,372
TOTAL DEFERRED INFLOWS OF RESOURCES.....	-	69,179	247,258	-	-	316,437
NET POSITION						
Net investment in capital assets.....	73,664,372	781,466	8,851,273	2,937,359	-	86,234,470
Unrestricted.....	1,424,784	(360,914)	(1,675,302)	190,063	45,151	(376,218)
TOTAL NET POSITION.....	\$ 75,089,156	\$ 420,552	\$ 7,175,971	\$ 3,127,422	\$ 45,151	\$ 85,858,252

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2023

	Business-type Activities - Enterprise Funds					
	Sewer	Transfer Station	Beaches	Rock Harbor Boat Basin	Moorings	Total
OPERATING REVENUES:						
Charges for services.....	\$ 161,720	\$ 745,108	\$ 2,079,541	\$ 126,918	\$ 193,885	\$ 3,307,172
OPERATING EXPENSES:						
Cost of services and administration.....	1,247,016	692,752	606,547	103,181	161,151	2,810,647
Salaries and wages.....	-	214,388	751,778	-	-	966,166
Depreciation.....	425,497	47,105	301,543	87,248	-	861,393
TOTAL OPERATING EXPENSES.....	1,672,513	954,245	1,659,868	190,429	161,151	4,638,206
OPERATING INCOME (LOSS).....	(1,510,793)	(209,137)	419,673	(63,511)	32,734	(1,331,034)
NONOPERATING REVENUES (EXPENSES):						
Investment income.....	9,139	969	4,330	549	147	15,134
INCOME (LOSS) BEFORE TRANSFERS.....	(1,501,654)	(208,168)	424,003	(62,962)	32,881	(1,315,900)
TRANSFERS:						
Transfers in.....	1,980,336	467,803	-	78,709	-	2,526,848
Transfers out.....	-	-	(130,000)	-	-	(130,000)
TOTAL TRANSFERS.....	1,980,336	467,803	(130,000)	78,709	-	2,396,848
Capital contributions.....	44,805,195	454,000	-	105,766	-	45,364,961
TOTAL CONTRIBUTIONS AND TRANSFERS...	46,785,531	921,803	-	184,475	-	47,891,809
CHANGE IN NET POSITION.....	45,283,877	713,635	294,003	121,513	32,881	46,445,909
NET POSITION AT BEGINNING OF YEAR.....	29,805,279	(293,083)	6,881,968	3,005,909	12,270	39,412,343
NET POSITION AT END OF YEAR.....	\$ 75,089,156	\$ 420,552	\$ 7,175,971	\$ 3,127,422	\$ 45,151	\$ 85,858,252

See notes to basic financial statements.

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

	Business-type Activities - Enterprise Funds					
	Sewer	Transfer Station	Beaches	Rock Harbor Boat Basin	Moorings	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers and users.....	\$ 92,082	\$ 745,108	\$ 2,079,541	\$ 126,918	\$ 193,885	\$ 3,237,534
Payments to vendors.....	(1,218,983)	(674,860)	(642,818)	(106,038)	(161,065)	(2,803,764)
Payments to employees.....	-	(215,483)	(740,993)	-	-	(956,476)
NET CASH FROM OPERATING ACTIVITIES.....	(1,126,901)	(145,235)	695,730	20,880	32,820	(522,706)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers in.....	1,980,336	467,803	-	78,709	-	2,526,848
Transfers out.....	-	-	(130,000)	-	-	(130,000)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	1,980,336	467,803	(130,000)	78,709	-	2,396,848
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition and construction of capital assets.....	(79,398)	(179,468)	(289,208)	-	-	(548,074)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Investment income.....	9,139	969	4,330	549	147	15,134
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	783,176	144,069	280,852	100,138	32,967	1,341,202
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	666,953	219,850	659,475	90,560	12,270	1,649,108
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 1,450,129	\$ 363,919	\$ 940,327	\$ 190,698	\$ 45,237	\$ 2,990,310
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:						
Operating income (loss).....	\$ (1,510,793)	\$ (209,137)	\$ 419,673	\$ (63,511)	\$ 32,734	\$ (1,331,034)
Adjustments to reconcile operating income to net cash from operating activities:						
Depreciation.....	425,497	47,105	301,543	87,248	-	861,393
Deferred (outflows)/inflows related to pensions.....	-	(125,048)	(478,646)	-	-	(603,694)
Deferred (outflows)/inflows related to other postemployment benefits.....	-	1,522	(5,584)	-	-	(4,062)
Changes in assets and liabilities:						
User charges.....	(69,638)	-	-	-	-	(69,638)
Warrants payable.....	28,033	(8,705)	(20,623)	(2,857)	86	(4,066)
Accrued payroll.....	-	(1,095)	10,785	-	-	9,690
Net pension liability.....	-	134,023	513,003	-	-	647,026
Net other postemployment benefits.....	-	16,100	(44,421)	-	-	(28,321)
Total adjustments.....	383,892	63,902	276,057	84,391	86	808,328
NET CASH FROM OPERATING ACTIVITIES.....	\$ (1,126,901)	\$ (145,235)	\$ 695,730	\$ 20,880	\$ 32,820	\$ (522,706)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:						
Contributions of capital assets.....	\$ 44,805,195	\$ 454,000	\$ -	\$ 105,766	\$ -	\$ 45,364,961

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2023

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Fund
ASSETS		
Investments:		
Pension Reserve Investment Trust (PRIT).....	\$ 4,295,883	\$ -
Other investments.....	-	509,625
TOTAL ASSETS.....	<u>4,295,883</u>	<u>509,625</u>
NET POSITION		
Restricted for other postemployment benefits.....	4,295,883	-
Held in trust for other purposes.....	-	509,625
TOTAL NET POSITION.....	<u>\$ 4,295,883</u>	<u>\$ 509,625</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2023

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Fund
ADDITIONS:		
Contributions:		
Employer contributions.....	\$ 450,000	\$ -
Employer contributions for other postemployment benefit payments.....	<u>1,153,620</u>	<u>-</u>
Total contributions.....	<u>1,603,620</u>	<u>-</u>
Net investment income:		
Investment income (loss).....	<u>218,648</u>	<u>10,411</u>
TOTAL ADDITIONS.....	<u>1,822,268</u>	<u>10,411</u>
DEDUCTIONS:		
Other postemployment benefit payments.....	1,153,620	-
Human services.....	-	10,000
Educational scholarships.....	<u>-</u>	<u>4,000</u>
TOTAL DEDUCTIONS.....	<u>1,153,620</u>	<u>14,000</u>
NET INCREASE (DECREASE) IN NET POSITION.....	668,648	(3,589)
NET POSITION AT BEGINNING OF YEAR.....	<u>3,627,235</u>	<u>513,214</u>
NET POSITION AT END OF YEAR.....	<u>\$ 4,295,883</u>	<u>\$ 509,625</u>

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Orleans, Massachusetts (the Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant Town accounting policies are described herein.

A. Reporting Entity

The Town is a municipal corporation that is governed by an elected Select Board.

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. The Town has determined that there are no component units to be included.

Joint Ventures

The Town is a member community of the Nauset Regional School District that provides educational services to four area communities. The members share in the operations of the District and each member is responsible for its proportionate share of the operational and capital cost of the District, which are paid in the form of assessments. The Town does not have an equity interest in the District and the 2023 assessment was \$5,432,276.

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

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

Governmental activities are primarily supported by taxes and intergovernmental revenues are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

Fund Financial Statements

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 governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

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

Fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation*Government-Wide Financial Statements*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60 days after year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *community preservation fund* is used to account for funds held for uses restricted by law for community preservation purposes. These funds are attributable to the Town's acceptance of the Community Preservation Act, which allows the Town to impose up to a 3% surcharge on property taxes and to receive matching state grant funds for specified uses related to the acquisition, creation, preservation and support of open space, historic resources, land for recreational use and community housing.

The *water fund* is used to account for the Town's water activities. This fund was established under Chapter 40, Section 39A of the General Laws of Massachusetts.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

The *affordable housing trust fund* is used to account for funds to support the preservation and production of affordable housing.

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

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The *permanent fund* is used to account for and report financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major proprietary funds are reported:

The *sewer enterprise fund* is used to account for wastewater treatment activities.

The *transfer station enterprise fund* is used to account for operations of the waste transfer station.

The *beaches enterprise fund* is used to account for the operations of the Town's public beaches.

The *Rock Harbor boat basin enterprise fund* is used to account for Rock Harbor operations.

The *moorings enterprise fund* is used to account for moorings operation activities.

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

The following fiduciary fund types are reported:

The *other postemployment benefits trust fund* is used to accumulate resources to provide funding for future other postemployment benefit (OPEB) liabilities.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments. This fund is mainly used for educational scholarships and supporting in-need residents.

D. Cash and Cash Equivalents

Government-Wide and Fund Financial Statements

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

E. Fair Value Measurements

The Town reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the Town's financial instruments, see Note 2 – Cash and Investments.

F. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessors for 100% of the estimated fair market value. Taxes are billed quarterly during each year and are due by August 1st, November 1st, February 1st, and May 1st, respectively, and are subject to penalties and interest if they are not paid by the respective due dates. Real estate and personal property taxes levied are recorded as receivables in the year of the levy.

Real estate tax liens are processed by the last day in September following the last billing cycle and are recorded as receivables in the year they are processed.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

Motor Vehicle Excise Taxes

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Departmental and Other

Departmental and other receivables are recorded as receivables in the year earned. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

Intergovernmental

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

G. Inventories***Government-Wide and Fund Financial Statements***

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

H. Capital Assets***Government-Wide Financial Statements***

Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles, library materials and infrastructure (e.g., roads, water mains, and similar items), are reported in the applicable governmental activity column of the government-wide financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at acquisition value at the date of donation.

All purchases and construction costs in excess of \$5,000 per unit are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

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

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Buildings and improvements.....	25-40
Machinery and equipment.....	5-20
Vehicles.....	5-15
Library materials.....	5
Infrastructure.....	25-60

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the year of the purchase.

I. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

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 assets 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 reported deferred outflows of resources related to pensions, OPEB, and deferred loss on refunding in this category.

In addition to liabilities, the statement of net 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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town currently has reported deferred inflows of resources related to pensions and OPEB in this category.

Government Fund Financial Statements

In addition to liabilities, the government funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents assets that have been recorded in the governmental fund financial statements but the revenue is not available and so will not be recognized as an inflow of resources (revenue) until it becomes available. The Town has reported unavailable revenue as deferred inflows of resources in the governmental funds balance sheet.

J. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

Government-Wide Financial Statements

Transactions of a buyer/seller nature within governmental funds are eliminated from the governmental activities in the statement of net position.

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are *not* eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as “Due from other funds” or “Due to other funds” on the balance sheet.

K. 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.

Government-Wide Financial Statements

Transfers within governmental funds are eliminated from the governmental activities in the statement of net position.

Fund Financial Statements

Transfers between and within funds are *not* eliminated from the individual fund statements and are reported as transfers in and transfers out.

L. Net Position and Fund Equity*Government-Wide Financial Statements (Net Position)*

Net position is reported as restricted when amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net position has been “restricted for” the following:

“Permanent funds – expendable” represents amounts held in trust for which expenditures are restricted by various trust agreements.

“Permanent funds – nonexpendable” represents amounts held in trust for which only investment earnings may be expended.

“Community preservation” represents amounts held for uses restricted by law for community preservation purposes.

Communities will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. Generally, unassigned net position is applied after all other categories have been depleted.

Fund Financial Statements (Fund Balances)

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

“Nonspendable” fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

“Restricted” fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority.

“Assigned” fund balance includes amounts that are constrained by the Town’s intent to be used for specific purposes but are neither restricted nor committed.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The Town’s spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds are designated for one purpose at the time of their creation.

Therefore, any expenditure from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

M. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Barnstable County Retirement Association (BCRA) and additions to/deductions from the BCRA’s fiduciary net position have been determined on the same basis as they are reported by the BCRA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. Long-term debt*Government-Wide Financial Statements*

Long-term debt is reported as liabilities in the government-wide statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

O. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

P. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities.

Q. Use of Estimates*Government-Wide and Fund Financial Statements*

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 year. Actual results could vary from estimates that were used.

R. Total Column*Government-Wide Financial Statements*

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

NOTE 2 – CASH 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 the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (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.

The Other Postemployment Benefits (OPEB) trust participates as a Purchasing Member of the Pension Reserve Investment Trust (PRIT) through the State Retirees Benefits Trust (SRBTF). Government entities are allowed to invest their OPEB funds through the SRBTF. OPEB trust funds are allowed to invest in the PRIT fund and receive the economies of scale and diversification that an individual community with a relatively small fund could not obtain on its own.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town follows Massachusetts General Laws for deposit policies relating to custodial credit risk.

At year-end, the carrying amount of deposits totaled \$25,257,970 and the bank balance totaled \$26,300,790. Of the bank balance, \$2,250,000 was covered by Federal Depository Insurance, \$4,760,281 was covered by the Depositors Insurance Fund, \$11,011,164 was collateralized, and \$8,279,345 was uncollateralized.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Town's policy for custodial credit risk is that the Town will review the financial institution's financial statement and the background of the investment advisor. The intent of this qualification is to limit the Town's exposure to only those institutions with a proven financial strength, Capital adequacy of the firm, and overall affirmative reputation in the municipal industry. Further, all securities not held directly by the Town, will be held in the Town's name and tax identification number by a third-party custodian approved by the Treasurer and evidenced by safekeeping receipts showing individual CUSIP numbers for each security.

Investments

The Town had the following investments, with their respective maturities at June 30, 2023:

<u>Investment Type</u>	<u>Fair value</u>	<u>Maturities</u>		
		<u>Under 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>
<u>Debt securities:</u>				
U.S. treasury notes.....	\$ 3,201,845	\$ 425,119	\$ 2,776,726	\$ -
Government sponsored enterprises.....	375,260	130,679	244,581	-
Corporate bonds.....	4,074,701	817,094	2,802,188	455,419
Total debt securities.....	7,651,806	\$ 1,372,892	\$ 5,823,495	\$ 455,419
<u>Other investments:</u>				
Equity securities.....	2,662,391			
Fixed income.....	71,172			
Pension Reserve Investment Trust (PRIT).....	4,295,883			
MMDT - Cash portfolio.....	5,090,885			
Total investments.....	\$ 19,772,137			

The Town participates in MMDT, which maintains a cash portfolio and a short-term bond fund with combined average maturities of 33 days.

Interest Rate Risk

The Town’s investment policy states that the Town will manage interest rate risk by managing and varying duration (maturity dates) in the accounts, particularly with fixed income investments.

Credit Risk

The Town's investment policy states that the Town will manage credit risk several ways. In addition to “safe haven” investments in United States Treasury and United States Government Agency obligations, the Town will only purchase investment grade securities with a high concentration in securities rated ‘A’ or better. The Town may invest in the Massachusetts Municipal Depository Trust with no limit to the amount of funds place in the fund. The Town uses PRIT guidelines as a means to manage credit risk. Standard and Poor’s Investors Service rated the Town’s investments of \$3,201,845 in U.S. Treasury Notes as AAA, \$375,260 in Federal Home Loan Mortgage Corp AA+, and \$4,074,701 million in corporate bonds, which are all classified as “investment grade”, are shown as follows:

<u>Quality Rating</u>	<u>U.S. Treasury Notes</u>	<u>Government Sponsored Enterprises</u>	<u>Corporate Bonds</u>
AAA.....	\$ 3,201,845	\$ -	\$ 349,684
AA+.....	-	375,260	-
A+.....	-	-	1,561,254
A.....	-	-	352,596
A-.....	-	-	455,419
BBB+.....	-	-	570,994
BBB.....	-	-	784,754
Total.....	\$ 3,201,845	\$ 375,260	\$ 4,074,701

Concentration of Credit Risk

The Town manages the concentration of credit risk through diversification, which includes prohibition against over concentration of maturities, as well as concentrations in specific institutions.

Fair Value of Investments

Investment Type	June 30, 2023	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value:				
<u>Debt securities:</u>				
U.S. treasury notes.....	\$ 3,201,845	\$ 3,201,845	\$ -	\$ -
Government sponsored enterprises.....	375,260	375,260	-	-
Corporate bonds.....	4,074,701	-	4,074,701	-
Total debt securities.....	7,651,806	3,577,105	4,074,701	-
<u>Other investments:</u>				
Equity securities.....	2,662,391	2,662,391	-	-
Fixed income.....	71,172	71,172	-	-
Total other investments.....	2,733,563	2,733,563	-	-
Total investments measured at fair value.....	10,385,369	\$ 6,310,668	\$ 4,074,701	\$ -
Investments measured at amortized cost:				
MMDT - Cash portfolio.....	5,090,885			
Investments measured at net asset value:				
Pension Reserve Investment Trust (PRIT).....	4,295,883			
Total investments.....	\$ 19,772,137			

The Town holds investments in the MMDT Cash Portfolio which are valued at amortized cost. The total value of the portfolio as of June 30, 2023 is \$5,090,885. Under the amortized cost valuation method, an investment is valued initially at its cost and thereafter adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost of the investment and the amount payable at its maturity. If amortized cost is determined not to approximate fair value, the value of the portfolio securities will be determined under procedures established by MMDT’s adviser.

PRIT investments are valued using the net asset value method. The total value of the portfolio as of June 30, 2023 is \$4,295,883. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserve Investment Management Board (PRIM). The fair values of the positions in each investment Pool are the same as the value of each Pool’s shares. The Town does not have the ability to control any of the investment decisions relative to its funds.

NOTE 3 – RECEIVABLES

At June 30, 2023, receivables for the individual major governmental funds and nonmajor funds, in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 385,406	\$ -	\$ 385,406
Tax liens.....	139,876	-	139,876
Motor vehicle and other excise taxes.....	99,120	(7,709)	91,411
User charges.....	880,808	-	880,808
Departmental and other.....	720,060	-	720,060
Intergovernmental.....	2,361,903	-	2,361,903
Loans.....	78,551	-	78,551
 Total.....	 \$ <u>4,665,724</u>	 \$ <u>(7,709)</u>	 \$ <u>4,658,015</u>

As of June 30, 2023, the sewer enterprise fund receivables consisted of \$69,638 in user charges.

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. At the end of the current fiscal year, the various components of *unavailable revenue* reported in the governmental funds were as follows:

	General Fund	Other Governmental Funds	Total
<u>Receivables and other asset types:</u>			
Real estate and personal property taxes.....	\$ 280,313	\$ -	\$ 280,313
Tax liens.....	139,876	-	139,876
Motor vehicle and other excise taxes.....	91,411	-	91,411
User charges.....	-	880,808	880,808
Departmental and other.....	14,135	705,926	720,061
Intergovernmental.....	-	2,255,088	2,255,088
Loans.....	-	78,551	78,551
 Total.....	 \$ <u>525,735</u>	 \$ <u>3,920,373</u>	 \$ <u>4,446,108</u>

NOTE 4 – CAPITAL ASSETS

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

	Beginning Balance	Transfers to Business-Type Activities	Increases	Decreases	Ending Balance
Governmental Activities:					
<u>Capital assets not being depreciated:</u>					
Land.....	\$ 39,731,912	\$ -	\$ 5,000	\$ -	\$ 39,736,912
Construction in progress.....	30,829,902	(44,910,961)	16,168,823	-	2,087,764
Total capital assets not being depreciated....	70,561,814	(44,910,961)	16,173,823	-	41,824,676
<u>Capital assets being depreciated:</u>					
Buildings.....	59,379,673	-	18,789	-	59,398,462
Improvements.....	3,737,301	-	218,234	-	3,955,535
Infrastructure.....	53,518,426	-	1,748,715	-	55,267,141
Machinery and equipment.....	5,795,570	(454,000)	782,541	(405,897)	5,718,214
Vehicles.....	4,984,968	-	556,836	-	5,541,804
Library materials.....	147,166	-	-	-	147,166
Total capital assets being depreciated.....	127,563,104	(454,000)	3,325,115	(405,897)	130,028,322
<u>Less accumulated depreciation for:</u>					
Buildings.....	(19,029,070)	-	(1,558,806)	-	(20,587,876)
Improvements.....	(708,001)	-	(141,965)	-	(849,966)
Infrastructure.....	(20,407,947)	-	(1,413,370)	-	(21,821,317)
Machinery and equipment.....	(1,812,085)	-	(209,546)	405,897	(1,615,734)
Vehicles.....	(3,041,404)	-	(432,426)	-	(3,473,830)
Library materials.....	(147,166)	-	-	-	(147,166)
Total accumulated depreciation.....	(45,145,673)	-	(3,756,113)	405,897	(48,495,889)
Total capital assets being depreciated, net.....	82,417,431	(454,000)	(430,998)	-	81,532,433
Total governmental activities capital assets, net.....	\$ 152,979,245	\$ (45,364,961)	\$ 15,742,825	\$ -	\$ 123,357,109
Sewer Activities:					
<u>Capital assets not being depreciated:</u>					
Construction in progress.....	\$ 16,050,550	\$ 44,805,195	\$ -	\$ (58,892,826)	\$ 1,962,919
<u>Capital assets being depreciated:</u>					
Infrastructure.....	13,181,994	-	58,972,224	-	72,154,218
<u>Less accumulated depreciation for:</u>					
Infrastructure.....	(27,268)	-	(425,497)	-	(452,765)
Total capital assets being depreciated, net.....	13,154,726	-	58,546,727	-	71,701,453
Total sewer activities capital assets, net.....	\$ 29,205,276	\$ 44,805,195	\$ 58,546,727	\$ (58,892,826)	\$ 73,664,372

	Beginning Balance	Transfers from Governmental Activities	Increases	Decreases	Ending Balance
Transfer Station Activities:					
<u>Capital assets not being depreciated:</u>					
Construction in progress.....	\$ 3,507	\$ -	\$ -	\$ (3,507)	\$ -
<u>Capital assets being depreciated:</u>					
Buildings.....	49,961	-	-	-	49,961
Improvements.....	5,510	-	-	-	5,510
Machinery and equipment.....	286,720	454,000	118,685	(80,881)	778,524
Vehicles.....	259,912	-	64,290	(43,733)	280,469
Total capital assets being depreciated.....	602,103	454,000	182,975	(124,614)	1,114,464
<u>Less accumulated depreciation for:</u>					
Buildings.....	(42,142)	-	(3,909)	-	(46,051)
Improvements.....	(4,647)	-	(431)	-	(5,078)
Machinery and equipment.....	(212,440)	-	(22,431)	80,881	(153,990)
Vehicles.....	(151,278)	-	(20,334)	43,733	(127,879)
Total accumulated depreciation.....	(410,507)	-	(47,105)	124,614	(332,998)
Total capital assets being depreciated, net.....	191,596	454,000	135,870	-	781,466
Total transfer station activities capital assets, net... \$	195,103	\$ 454,000	\$ 135,870	\$ (3,507)	\$ 781,466

	Beginning Balance	Transfers from Governmental Activities	Increases	Decreases	Ending Balance
Beach Activities:					
<u>Capital assets not being depreciated:</u>					
Land.....	\$ 3,356,454	\$ -	\$ -	\$ -	\$ 3,356,454
Construction in progress.....	4,130,183	-	-	(4,130,183)	-
Total capital assets not being depreciated....	7,486,637	-	-	(4,130,183)	3,356,454
<u>Capital assets being depreciated:</u>					
Buildings.....	166,222	-	-	-	166,222
Improvements.....	53,517	-	4,130,083	-	4,183,600
Infrastructure.....	1,190,460	-	239,605	(175,000)	1,255,065
Vehicles.....	447,148	-	49,703	(148,731)	348,120
Total capital assets being depreciated.....	1,857,347	-	4,419,391	(323,731)	5,953,007
<u>Less accumulated depreciation for:</u>					
Buildings.....	(44,380)	-	(26,986)	-	(71,366)
Improvements.....	(14,288)	-	(8,689)	-	(22,977)
Infrastructure.....	(317,841)	-	(193,273)	175,000	(336,114)
Vehicles.....	(103,867)	-	(72,595)	148,731	(27,731)
Total accumulated depreciation.....	(480,376)	-	(301,543)	323,731	(458,188)
Total capital assets being depreciated, net.....	1,376,971	-	4,117,848	-	5,494,819
Total beach activities capital assets, net..... \$	8,863,608	\$ -	\$ 4,117,848	\$ (4,130,183)	\$ 8,851,273

	Beginning Balance	Transfers from Governmental Activities	Increases	Decreases	Ending Balance
Rock Harbor Boat Basin Activities:					
<u>Capital assets not being depreciated:</u>					
Construction in progress.....	\$ 21,378	\$ 105,766	\$ -	\$ -	\$ 127,144
<u>Capital assets being depreciated:</u>					
Improvements.....	158,962	-	-	-	158,962
Infrastructure.....	3,132,518	-	-	-	3,132,518
Total capital assets being depreciated.....	3,291,480	-	-	-	3,291,480
<u>Less accumulated depreciation for:</u>					
Improvements.....	(19,029)	-	(4,214)	-	(23,243)
Infrastructure.....	(374,988)	-	(83,034)	-	(458,022)
Total accumulated depreciation.....	(394,017)	-	(87,248)	-	(481,265)
Total capital assets being depreciated, net.....	2,897,463	-	(87,248)	-	2,810,215
Total boat activities capital assets, net.....	\$ 2,918,841	\$ 105,766	\$ (87,248)	\$ -	\$ 2,937,359

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government.....	\$ 183,025
Public safety.....	766,467
Education.....	240,821
Public works.....	1,715,413
Water.....	708,244
Human services.....	73,885
Culture and recreation.....	68,258
Total depreciation expense - governmental activities.....	\$ 3,756,113
Business-Type Activities:	
Sewer.....	\$ 425,497
Transfer station.....	47,105
Beaches.....	301,543
Rock Harbor boat basin.....	87,248
Total depreciation expense - business-type activities.....	\$ 861,393

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

An interfund receivable/payable of \$106,815 exists between the general fund and the Chapter 90 fund. These amounts represent advances between funds to meet temporary cash flow needs.

Interfund transfers for the year ended June 30, 2023, are summarized on the following page.

Transfers Out:	Transfers In:							Total	
	General fund	Water fund	Capital Projects funds	Affordable Housing Trust fund	Transfer station	Rock Harbor Boat Basin	Sewer		
General fund.....	\$ -	\$ -	\$ 2,772,112	\$ 275,000	\$ 467,803	\$ 78,709	\$ -	\$ 3,593,624	(1)
Water fund.....	1,510,461	-	159,900	-	-	-	-	1,670,361	(2)
Community preservation fund.....	-	-	-	500,000	-	-	-	500,000	(3)
Capital projects fund.....	113,828	32,755	80,808	-	-	-	-	227,391	(4)
Nonmajor governmental funds.....	867,243	-	186,267	-	-	-	1,980,336	3,033,846	(5)
Beaches.....	-	-	130,000	-	-	-	-	130,000	(6)
Total.....	\$ 2,491,532	\$ 32,755	\$ 3,329,087	\$ 775,000	\$ 467,803	\$ 78,709	\$ 1,980,336	\$ 9,155,222	

- (1) Represents budgeted transfers to the capital project funds and the affordable housing trust fund from the general fund. As well as budgeted transfers from the general fund to the transfer station and Rock Harbor boat basin fund for operations.
- (2) Represents budgeted transfers to the general fund and capital project funds from the water fund.
- (3) Represents budgeted transfers from Community Preservation to Affordable Housing.
- (4) Represents budgeted transfers between various capital project and water funds, and the general fund.
- (5) Represents budgeted transfers to the general fund from ambulance receipts and from other revolving funds, as well as transfers from various special revenue funds to capital projects and a transfer from the stabilization fund to the sewer enterprise fund.
- (6) Represents budgeted transfer from the beaches enterprise fund to the capital projects fund.

In addition to the budgeted transfers detailed above, the Town transferred approximately \$45.4 million of governmental capital assets, net of accumulated depreciation, to the newly established enterprise funds.

NOTE 6 – SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund.

Details related to the short-term debt activity for the year ended June 30, 2023, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2022	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2023
Governmental Funds:							
BAN	Municipal Purpose.....	1.25%	1/27/2023	\$ 14,973,445	\$ -	\$ (14,973,445)	\$ -
BAN	Municipal Purpose.....	4.00%	1/27/2024	-	17,438,869	-	17,438,869
BAN	MCWT Interim Financing.....	0.00%	6/30/2024	40,599,363	14,506,680	(29,704,600)	25,401,443
Total Governmental Funds.....				\$ 55,572,808	\$ 31,945,549	\$ (44,678,045)	\$ 42,840,312

The Massachusetts Clean Water Trust (MCWT) Interim Financing is related to a program in which the Town is able to rehabilitate, expand, or upgrade existing sewer infrastructure networks at low interest or zero percent financing. The Town has been approved for construction costs up to \$59.4 million for Phase I of its proposed sewer infrastructure capital project, which is being funded by a Cape and Islands Water Protection Fund (CIWPF) grant of \$14.9 million and by a \$44.5 million zero percent interest MCWT loan. In November 2022, the Town issued \$14.9 million in permanent debt through the MCWT program. The remaining \$25.4 million in MCWT interim financing is expected to be issued as permanent debt in FY24. The permanent debt will be payable over 30 years.

Revolving Guidance Line of Credit

In May of 2020, the Town secured a \$2.0 million Revolving Guidance Line of Credit from a local bank to be used for real estate purchases for the Orleans Affordable Housing Trust Fund. Proceeds of the loan are to be used for the purchase of single or multi-family residential properties, or development parcels located in Orleans, Massachusetts. Properties purchased will have a deed restriction placed on them subsequent to purchase, and resold as affordable housing units for the benefit of low and moderate income households.

Loans will be subject to variable interest rates and repayment terms as selected by the Town and set by the bank at the time of closing for the term of the Note. The Town’s ability to borrow under the loan expires on December 31, 2023 unless extended at the sole discretion of the bank. As of the date of this report, there have been no loans applied for or any borrowings under this revolving line of credit.

NOTE 7 – LONG-TERM DEBT

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

Details related to the outstanding indebtedness at June 30, 2023, and the debt service requirements are on the following page.

Governmental Activities Project	Maturities Through	Interest Rate (%)	Original Loan Amount	Outstanding at June 30, 2022	Issued	Redeemed	Outstanding at June 30, 2023
Municipal Purpose Bonds of 2005.....	2026	0.00	\$ 100,000	\$ 20,000	\$ -	\$ 5,000	\$ 15,000
Municipal Purpose Bonds of 2010.....	2025	2.50	200,000	30,000	-	10,000	20,000
Municipal Purpose Bonds of 2012.....	2024	2.00 - 3.00	2,675,000	210,000	-	105,000	105,000
Municipal Purpose Refunding Bonds of 2012...	2023	2.00 - 3.00	2,510,000	235,000	-	235,000	-
Municipal Purpose Bonds of 2015.....	2026	2.00 - 5.00	8,000,000	2,405,000	-	650,000	1,755,000
Municipal Purpose Bonds of 2016.....	2025	2.00 - 4.00	2,539,843	485,000	-	275,000	210,000
Municipal Purpose Bonds of 2017.....	2042	3.00 - 4.00	6,151,375	4,605,000	-	310,000	4,295,000
Municipal Purpose Bonds of 2018.....	2038	2.25 - 5.00	27,062,100	20,335,000	-	1,540,000	18,795,000
Municipal Purpose Bonds of 2019.....	2029	4.00-5.00	4,035,000	2,070,000	-	610,000	1,460,000
Municipal Purpose Refunding Bonds of 2021...	2041	2.00 - 5.00	2,797,000	2,645,000	-	165,000	2,480,000
Municipal Purpose Bonds of 2021.....	2050	2.00 - 5.00	6,803,000	2,695,000	-	110,000	2,585,000
Municipal Purpose Bonds of 2022.....	2042	2.00 - 5.00	11,480,000	11,480,000	-	685,000	10,795,000
Massachusetts Clean Water Trust	2053	0.00	14,852,300	-	14,852,300	-	14,852,300
Total Long-term Debt Payable.....				47,215,000	14,852,300	4,700,000	57,367,300
Add: Unamortized premium on bonds.....				3,740,822	155,559	775,390	3,120,991
Total Long-term Debt Payable, net.....				\$ 50,955,822	\$ 15,007,859	\$ 5,475,390	\$ 60,488,291

Debt service requirements for principal and interest for Governmental general obligation bonds payable and direct borrowings payable in future years are as follows:

Year	General Obligation			Direct Borrowing	Total
	Principal	Interest	Subtotal	Principal	
2024.....	\$ 4,430,000	\$ 1,523,350	\$ 5,953,350	\$ 484,384	\$ 6,437,734
2025.....	3,735,000	1,316,775	5,051,775	485,111	5,536,886
2026.....	3,400,000	1,139,750	4,539,750	485,839	5,025,589
2027.....	2,800,000	987,550	3,787,550	486,569	4,274,119
2028.....	2,525,000	866,250	3,391,250	487,299	3,878,549
2029.....	2,415,000	760,025	3,175,025	488,031	3,663,056
2030.....	2,270,000	654,200	2,924,200	488,763	3,412,963
2031.....	2,295,000	561,350	2,856,350	489,497	3,345,847
2032.....	2,195,000	483,900	2,678,900	490,232	3,169,132
2033.....	2,220,000	411,850	2,631,850	490,968	3,122,818
2034.....	2,210,000	344,900	2,554,900	491,705	3,046,605
2035.....	2,210,000	284,125	2,494,125	492,443	2,986,568
2036.....	2,160,000	226,725	2,386,725	493,182	2,879,907
2037.....	2,165,000	169,600	2,334,600	493,922	2,828,522
2038.....	1,880,000	115,375	1,995,375	494,664	2,490,039
2039.....	775,000	80,550	855,550	495,406	1,350,956
2040.....	775,000	62,125	837,125	496,150	1,333,275
2041.....	780,000	43,650	823,650	496,895	1,320,545
2042.....	665,000	25,425	690,425	497,641	1,188,066
2043.....	80,000	12,575	92,575	498,388	590,963
2044.....	80,000	10,975	90,975	499,136	590,111
2045.....	75,000	9,375	84,375	499,885	584,260
2046.....	75,000	7,875	82,875	500,636	583,511
2047.....	75,000	6,375	81,375	501,387	582,762
2048.....	75,000	4,781	79,781	502,140	581,921
2049.....	75,000	3,188	78,188	502,893	581,081
2050.....	75,000	1,594	76,594	503,648	580,242
2051.....	-	-	-	504,404	504,404
2052.....	-	-	-	505,162	505,162
2053.....	-	-	-	505,920	505,920
Total.....	\$ 42,515,000	\$ 10,114,213	\$ 52,629,213	\$ 14,852,300	\$ 67,481,513

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2023, the Town had the following authorized and unissued debt:

Purpose	Amount
Water Resource Construction.....	\$ 4,669,757
Sewer Construction - Meetinghouse.....	32,906,000
Community Housing.....	1,000,000
Technology Modernization.....	780,000
Meetinghouse Water Mains.....	575,000
Meetinghouse Water Services.....	500,000
Meetinghouse Drainage.....	500,000
Water Plant Lagoon.....	168,000
Rock Harbor Dredging.....	1,400,000
Rock Harbor Fuel Tanks.....	170,000
Aerial Ladder Truck.....	1,600,000
Veterans Park Restoration.....	110,000
Pilgrim Lake Rehabilitation.....	350,000
Water Resource Planning.....	2,437,700
Total.....	\$ 47,166,457

Changes in Long-term Liabilities

During the year ended June 30, 2023, the following changes occurred in long-term liabilities:

	Beginning Balance	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Governmental Activities:							
Long-term bonds payable.....	\$ 47,215,000	\$ -	\$ (4,700,000)	\$ -	\$ -	\$ 42,515,000	\$ 4,430,000
Long-term direct borrowings payable.....	-	14,852,300	-	-	-	14,852,300	484,384
Add: Unamortized premium on bonds.....	3,740,822	-	-	155,559	(775,390)	3,120,991	505,723
Total bonds payable.....	50,955,822	14,852,300	(4,700,000)	155,559	(775,390)	60,488,291	5,420,107
Landfill closure.....	476,000	-	-	-	(34,000)	442,000	34,000
Compensated absences.....	1,416,103	-	-	597,991	(492,000)	1,522,094	522,000
Net pension liability.....	16,046,855	-	-	10,350,614	(2,661,011)	23,736,458	-
Other postemployment benefits.....	17,032,421	-	-	547,486	(1,474,959)	16,104,948	-
Total governmental activity long-term liabilities.....	\$ 85,927,201	\$ 14,852,300	\$ (4,700,000)	\$ 11,651,650	\$ (5,437,360)	\$ 102,293,791	\$ 5,976,107
Business-Type Activities:							
Net pension liability.....	\$ 1,350,234	\$ -	\$ -	\$ 834,549	\$ (187,523)	\$ 1,997,260	\$ -
Other postemployment benefits.....	1,433,162	-	-	100,340	(128,661)	1,404,841	-
Total business-type activity long-term liabilities.....	\$ 2,783,396	\$ -	\$ -	\$ 934,889	\$ (316,184)	\$ 3,402,101	\$ -

The long-term liabilities will be liquidated in the future by the general fund and the applicable enterprise funds.

NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The Town adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Implementation of GASB 54 is required for years beginning after June 15, 2010. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Town’s financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- **Restricted:** fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- **Committed:** fund balances that contain self-imposed constraints of the government from its highest level of decision-making authority.
- **Assigned:** fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- **Unassigned:** fund balance of the general fund that is not constrained for any particular purpose.

Massachusetts General Law Ch.40 §5B allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body (Town Meeting) and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body.

At year end the balance of the general stabilization fund is \$5,515,930. The Town’s stabilization fund is reported as unassigned fund balance within the general fund.

The Town has classified its fund balances with the following hierarchy:

	General	Community Preservation Fund	Water Fund	Capital Projects	Affordable Housing Trust Funds	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:							
Nonspendable:							
Permanent fund principal.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 372,424	\$ 372,424
Restricted for:							
Community preservation fund.....	-	2,933,936	-	-	-	-	2,933,936
Water fund.....	-	-	3,478,734	-	-	-	3,478,734
School lunch.....	-	-	-	-	-	137,589	137,589
Other revolving.....	-	-	-	-	-	1,419,281	1,419,281
Ambulance.....	-	-	-	-	-	1,867,257	1,867,257
Expendable permanent funds.....	-	-	-	-	-	2,923,322	2,923,322
Affordable housing trust fund.....	-	-	-	-	1,932,653	-	1,932,653
Debt service.....	142,890	-	-	-	-	-	142,890
Committed to:							
Articles and continuing appropriations:							
General government.....	50,061	-	-	-	-	-	50,061
Public safety.....	39,518	-	-	-	-	-	39,518
Education.....	223,640	-	-	-	-	-	223,640
Health and human services.....	400	-	-	-	-	-	400
Culture and recreation.....	209	-	-	-	-	-	209
Employee benefits.....	22,915	-	-	-	-	-	22,915
Assigned to:							
Encumbrances:							
General government.....	314,030	-	-	-	-	-	314,030
Public safety.....	228,194	-	-	-	-	-	228,194
Education.....	37,848	-	-	-	-	-	37,848
Public works.....	190,783	-	-	-	-	-	190,783
Health and human services.....	31,597	-	-	-	-	-	31,597
Culture and recreation.....	54,965	-	-	-	-	-	54,965
Water.....	-	-	50,535	-	-	-	50,535
Free cash used for subsequent year budget.....	421,744	-	-	-	-	-	421,744
Unassigned.....	10,831,027	-	-	(38,351,020)	-	-	(27,519,993)
Total Fund Balances.....	\$ 12,589,821	\$ 2,933,936	\$ 3,529,269	\$ (38,351,020)	\$ 1,932,653	\$ 6,719,873	\$ (10,645,468)

NOTE 9 – RISK FINANCING*Insurances*

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 Town participates in a premium based health care plan for its active and retired employees and a premium-based workers compensation plan for all active employees. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

The Town participates in a health insurance risk pool administered by the Cape Cod Municipal Health Group (the Group). The Group offers a variety of premium based health and dental plans to its members with each participating governmental unit charged a premium for coverage based on rates established by the Group. In the event the Group is terminated, the Town would be obligated to pay its proportionate share of a deficit, should one exist.

NOTE 10 – PENSION PLAN*Plan Description*

The Town is a member of the Barnstable County Retirement Association (Association), a cost-sharing multiple employer defined benefit pension plan covering eligible employees of the 50 member units. The Association is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The audited financial report may be obtained by visiting their website at <https://www.barnstablecounty.org/documents>.

The Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multiemployer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, education collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity, and the audited financial report may be obtained by visiting <https://www.macomptroller.org/gasb-68-reports/>.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Town to 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* and the Commonwealth is a nonemployer contributor in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth-provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS, as of the measurement date of June 30, 2022. The Town's portion of the collective pension expense, contributed by the Commonwealth (\$680,788) is reported in the general fund as intergovernmental revenue and pension expense in the current year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$8,276,080 as of the measurement date.

Benefits Provided

The Association provides retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

Employees who resign from service and who are not eligible to receive a retirement allowance or who are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement. 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. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the Association a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The Town's proportionate share of the required contribution was \$2,416,140 which equaled its actual contribution of \$2,416,140 for the year ended December 31, 2022, and was 23.23% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

Pension Liabilities

At June 30, 2023, the Town reported a liability of \$25,733,718 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022.

Accordingly, update procedures were used to roll back the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At December 31, 2022, the Town's proportion was 3.10%, which changed from its 3.16% proportion measured at December 31, 2021.

Pension Expense

For the year ended June 30, 2023, the Town recognized pension expense of \$2,974,471. At June 30, 2023, the Town reported deferred outflows and (inflows) of resources related to pensions of \$4,756,086 and \$1,083,134, respectively.

The balances of deferred outflows and (inflows) at June 30, 2023, consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ -	\$ (80,097)	\$ (80,097)
Difference between projected and actual earnings, net.....	2,841,209	-	2,841,209
Changes in assumptions.....	1,356,529	-	1,356,529
Changes in proportion and proportionate share of contributions...	<u>558,348</u>	<u>(1,003,037)</u>	<u>(444,689)</u>
Total deferred outflows/(inflows) of resources.....	<u>\$ 4,756,086</u>	<u>\$ (1,083,134)</u>	<u>\$ 3,672,952</u>

The deferred outflows/(inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2024.....	\$ 42,307
2025.....	659,226
2026.....	1,073,483
2027.....	1,967,384
2028.....	<u>(69,448)</u>
Total.....	<u>\$ 3,672,952</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2022, using the following actuarial assumptions, applied to all periods included in the measurement date that was updated to December 31, 2022:

Valuation date.....	January 1, 2022
Actuarial cost method.....	Entry Age Actuarial Cost Method
Projected salary increases.....	3.25%
Cost of living adjustments.....	3.00% of the first \$18,000 of retirement income
Investment rate of return/Discount rate.....	6.90%
Mortality rates:	
Pre-Retirement.....	The RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2021.
Healthy Retiree.....	The RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2021.
Disabled Retiree.....	The RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2021.

Investment policy

The pension plan’s policy in regard to the allocation of invested assets is established by PRIT. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided by the pension plan.

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

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

Rate of return

The Association’s annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -11.28% and 19.75% for the years ending December 31, 2022 and 2021, respectively.

Discount rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan’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 of the net pension liability to changes in the discount rate

The table on the following page presents the net pension liability, calculated using the discount rate of 6.90% as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90%) or 1-percentage-point higher (7.90%) than the current rate.

	1% Decrease (5.90%)	Current Discount (6.90%)	1% Increase (7.90%)
The Town's proportionate share of the net pension liability.....	\$ 33,964,716	\$ 25,733,718	\$ 18,809,470

Changes of Assumptions

None.

Changes in Plan Provisions

None.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS*Plan Description*

The Town of Orleans administers a single-employer defined benefit healthcare plan (Plan). The Plan provides lifetime healthcare and life insurance for eligible retirees and their spouses through a single employer defined Other Postemployment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Plan does not issue a publicly available financial report.

Funding Policy

The contribution requirements of plan members and the Town are established and may be amended by the Town. The “required” contribution is based on a pay-as-you-go financing requirement. The Town contributes 75% of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 25% of their premium costs. For 2023, the Town’s contribution to the plan totaled \$1.6 million.

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish a postemployment benefit trust fund and to enable the Town to raise taxes necessary to begin pre-funding its OPEB liabilities. During 2023, the Town pre-funded future OPEB liabilities totaling approximately \$450,000 by contributing funds to the Other Postemployment Benefit Funds in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2023, the balance of this fund totaled \$4,295,883.

Investment Policy

The Town’s Policy in regard to the allocation of invested assets is established and may be amended by the Select Board by a majority vote of its members. The OPEB plan’s assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan. The long-term real rate of return on OPEB investments was determined using the Town’s investment policy.

Measurement Date

The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022.

Employees Covered by Benefit Terms

The following table represents the Plan’s membership at June 30, 2022:

Active members.....	147
Inactive members currently receiving benefits.....	<u>187</u>
Total.....	<u><u>334</u></u>

Components of OPEB Liability

The following table represents the components of the Plan’s OPEB liability as of June 30, 2023:

Total OPEB liability.....	\$ 21,805,672
Less: OPEB plan’s fiduciary net position.....	<u>(4,295,883)</u>
Net OPEB liability.....	<u><u>\$ 17,509,789</u></u>
The OPEB plan’s fiduciary net position as a percentage of the total OPEB liability.....	19.70%

Significant Actuarial Methods and Assumptions

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to June 30, 2023 to be in accordance with GASB #74 and GASB #75 as follows:

Valuation date.....	Actuarially determined contribution for 2023 was determined with the June 30, 2022 actuarial valuation.
Actuarial cost method.....	Entry Age Normal - Level percentage of payroll.
Amortization method.....	Level percentage of payroll. Payments increase 3.25% per year.
Remaining amortization period.....	24 years from July 1, 2022.
Asset valuation method.....	Fair Value
Investment rate of return.....	7.00%
Discount rate.....	7.00% as of June 30, 2023 and 7.00% as of June 30, 2022.
Inflation rate.....	3.25%
Health care trend cost rates.....	CCMHG: - Non-Medicare: 3.86% for 1 year, then 6.75% decreasing by 0.25% each year to an ultimate level of 4.50% per year. Medicare: 7.00% decreasing by 0.25% each year to an ultimate level of 4.50% per year. Dental: 0.00% for 1 year, then 3.00% Part B*: 5.15% for 1 year, then 4.50%. Contributions: Retiree contributions for medical and prescription drug coverage are expected to increase with medical trend.

Projected salary increases.....	Service-related increases for Group 1 (excluding Teachers) and Group 2 employees: 6.00% decreasing over 11 years to an ultimate level of 4.00%. Service-related increase for Group 4 employees: 7.00% decreasing over 8 years to an ultimate level of 4.50%. Service-related increases for Teachers: 7.50% decreasing over 20 years to an ultimate level of 4.00%.
Mortality rates:	
Pre-retirement mortality rates.....	Healthy Non-Teachers: RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2021. Healthy Teachers: Pub-2010 Teachers Employee Headcount-Weighted Mortality Table projected generationally with Scale MP-2021.
Post-retirement mortality rates.....	Healthy Non-Teachers: RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2021. Healthy Teachers: Pub-2010 Teacher Healthy Retiree Headcount-Weighted Mortality Table projected generationally with Scale MP-2021. Disabled Non-Teachers: RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally with Scale MP-2021. Disabled Teachers: Pub-2010 Teacher Healthy Retiree Headcount-Weighted projected generationally with Scale MP-2021.

Rate of return

For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 5.41%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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 rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return of by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting investment expenses and a risk margin. The target allocation as of June 30, 2023, and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

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

Discount rate

The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan’s funding policy. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be sufficient to make all projected benefit payments to current plan members. Therefore, the long-term expected rate of return on the OPEB plan assets was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following table presents the net other postemployment benefit liability and service cost, calculated using the discount rate of 7.00%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB liability.....	\$ 20,079,755	\$ 17,509,789	\$ 15,352,817

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend

The following table presents the net other postemployment benefit liability and service cost, calculated using the current healthcare trend rate, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	1% Decrease	Current Trend	1% Increase
Net OPEB liability.....	\$ 14,967,154	\$ 17,509,789	\$ 20,603,063

Summary of Significant Accounting Policies

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts (repurchase agreements) that have a maturity at the time of purchase of one year or less, which are reported at cost.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2022.....	\$ 22,092,818	\$ 3,627,235	\$ 18,465,583
Changes for the year:			
Service cost.....	685,113	-	685,113
Interest.....	1,554,762	-	1,554,762
Contributions - employer.....	-	1,603,620	(1,603,620)
Net investment income.....	-	218,648	(218,648)
Differences between expected and actual experience.....	514,932	-	514,932
Changes in assumptions and other inputs.....	(1,888,333)	-	(1,888,333)
Benefit payments.....	(1,153,620)	(1,153,620)	-
Net change.....	(287,146)	668,648	(955,794)
Balances at June 30, 2023.....	\$ 21,805,672	\$ 4,295,883	\$ 17,509,789

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

For the year ended June 30, 2023 the Town recognized OPEB expense of \$531,892 and reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 943,112	\$ -	\$ 943,112
Difference between projected and actual earnings, net.....	68,429	-	68,429
Changes in assumptions.....	-	(2,896,264)	(2,896,264)
Total deferred outflows/(inflows) of resources.....	\$ 1,011,541	\$ (2,896,264)	\$ (1,884,723)

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

Year ended June 30:	
2024.....	\$ (581,757)
2025.....	(601,652)
2026.....	(370,218)
2027.....	(102,196)
2028.....	(228,900)
Total.....	\$ (1,884,723)

Changes of Assumptions

- Per capita healthcare costs, contributions and trends for retirees were updated to reflect current experience and future expectations.
- The mortality projection scale assumption was updated for both teachers and non-teachers to use the most recently released projection scale.

Changes in Plan Provisions

None.

NOTE 12 – LANDFILL

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 accordance with generally accepted accounting principles, the estimated remaining cost of monitoring, \$442,000, has been recorded as a governmental activities liability; actual costs may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 13 – CONTINGENCIES

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2023, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2023.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 29, 2023 which is the date the financial statements were available to be issued.

NOTE 15 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2023, the following GASB pronouncements were implemented:

- GASB Statement #91, *Conduit Debt Obligations*. This pronouncement did not impact the basic financial statements.
- GASB Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This pronouncement did not impact the basic financial statements.
- GASB Statement #96, *Subscription-Based Information Technology Arrangements*. This pronouncement did not impact the basic financial statements.
- GASB Statement #99, *Omnibus 2022*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #100, *Accounting Changes and Error Corrections*, which is required to be implemented in 2024.
- The GASB issued Statement #101, *Compensated Absences*, which is required to be implemented in 2025.

Management is currently assessing the impact that the implementation of these pronouncements will have on the basic financial statements.

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Required Supplementary Information

Budgetary Comparison Schedules

The general fund is the general operating fund of the Town. It is used to account for all the financial resources, except those required to be accounted for in another fund.

The water special revenue fund is used to account for the Town's water activities. This fund was established under Chapter 40, Section 39A of the General Laws of Massachusetts.

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 35,906,608	\$ 35,906,608	\$ 36,010,989	\$ -	\$ 104,381
Tax liens.....	-	-	73,166	-	73,166
Motor vehicle and other excise taxes.....	1,190,895	1,190,895	1,426,887	-	235,992
Meals tax.....	352,160	352,160	410,714	-	58,554
Charges for services.....	248,431	248,431	201,938	-	(46,493)
Penalties and interest on taxes.....	137,271	137,271	178,681	-	41,410
Payments in lieu of taxes.....	4,631	4,631	4,623	-	(8)
Intergovernmental.....	714,214	714,214	839,953	-	125,739
Departmental and other.....	649,350	649,350	830,513	-	181,163
Investment income.....	15,816	15,816	384,780	-	368,964
Miscellaneous.....	-	-	37,627	-	37,627
TOTAL REVENUES.....	39,219,376	39,219,376	40,399,871	-	1,180,495
EXPENDITURES:					
Current:					
General government.....	3,333,885	4,458,860	3,579,056	364,091	515,713
Public safety.....	7,618,232	8,025,154	7,520,804	267,712	236,638
Education.....	11,774,604	11,774,603	11,288,513	261,488	224,602
Public works.....	1,255,069	1,463,017	1,073,354	190,783	198,880
Human services.....	1,187,122	1,350,761	1,267,065	31,997	51,699
Culture and recreation.....	1,898,342	1,944,915	1,692,902	55,174	196,839
Pension benefits.....	2,307,560	2,307,560	2,263,922	-	43,638
Employee benefits.....	3,560,221	3,522,762	3,189,451	22,915	310,396
State and county charges.....	619,015	619,015	669,295	-	(50,280)
Debt service:					
Principal.....	4,390,464	4,390,464	4,390,464	-	-
Interest.....	2,034,064	2,034,064	1,894,820	-	139,244
TOTAL EXPENDITURES.....	39,978,578	41,891,175	38,829,646	1,194,160	1,867,369
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(759,202)	(2,671,799)	1,570,225	(1,194,160)	3,047,864
OTHER FINANCING SOURCES (USES):					
Transfers in.....	2,789,280	4,316,741	4,360,984	-	44,243
Transfers out.....	(3,308,307)	(4,795,945)	(4,795,945)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	(519,027)	(479,204)	(434,961)	-	44,243
NET CHANGE IN FUND BALANCE.....	(1,278,229)	(3,151,003)	1,135,264	(1,194,160)	3,092,107
BUDGETARY FUND BALANCE, Beginning of year.....	6,189,757	6,189,757	6,189,757	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 4,911,528	\$ 3,038,754	\$ 7,325,021	\$ (1,194,160)	\$ 3,092,107

See notes to required supplementary information.

WATER FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
REVENUES:					
Charges for services.....	\$ 2,957,192	\$ 2,957,192	\$ 2,918,917	\$ -	\$ (38,275)
Penalties and interest on taxes.....	-	-	38,060	-	38,060
TOTAL REVENUES.....	2,957,192	2,957,192	2,956,977	-	(215)
EXPENDITURES:					
Water.....	1,385,795	1,590,827	1,409,236	50,535	131,056
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	1,571,397	1,366,365	1,547,741	(50,535)	130,841
OTHER FINANCING SOURCES (USES):					
Transfers in.....	-	32,755	32,755	-	-
Transfers out.....	-	(1,670,361)	(1,670,361)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	-	(1,637,606)	(1,637,606)	-	-
NET CHANGE IN FUND BALANCE.....	1,571,397	(271,241)	(89,865)	(50,535)	130,841
BUDGETARY FUND BALANCE, Beginning of year.....	3,619,134	3,619,134	3,619,134	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 5,190,531	\$ 3,347,893	\$ 3,529,269	\$ (50,535)	\$ 130,841

See notes to required supplementary information.

Pension Plan Schedules

The Schedule of the Town's Proportionate Share of the Net Pension Liability presents multi-year trend information on the Town's net pension liability and related ratios.

The Schedule of the Town's Contributions presents multi-year trend information on the Town's required and actual contributions to the pension plan and related ratios.

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts Teachers Contributory Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the Town along with related ratios.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
BARNSTABLE COUNTY CONTRIBUTORY RETIREMENT SYSTEM**

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- payroll	Net pension liability as a percentage of covered- payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2022.....	3.10%	\$ 25,733,718	\$ 10,398,798	247.47%	63.77%
December 31, 2021.....	3.16%	17,397,089	10,218,291	170.25%	75.07%
December 31, 2020.....	3.18%	21,988,143	10,203,219	215.50%	66.82%
December 31, 2019.....	3.03%	22,747,021	9,311,762	244.28%	62.34%
December 31, 2018.....	3.26%	25,781,220	9,683,588	266.24%	57.63%
December 31, 2017.....	3.30%	22,457,666	9,394,258	239.06%	61.86%
December 31, 2016.....	3.15%	22,098,852	8,899,203	248.32%	57.28%
December 31, 2015.....	3.20%	20,147,000	8,873,000	227.06%	58.10%
December 31, 2014.....	3.15%	17,802,000	8,271,000	215.23%	60.43%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF THE TOWN'S CONTRIBUTIONS
BARNSTABLE COUNTY CONTRIBUTORY RETIREMENT SYSTEM

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- payroll	Contributions as a percentage of covered- employee payroll
June 30, 2023.....	\$ 2,416,140	\$ (2,416,140)	-	\$ 10,606,774	22.78%
June 30, 2022.....	2,330,233	(2,330,233)	-	10,422,657	22.36%
June 30, 2021.....	2,214,059	(2,214,059)	-	10,407,283	21.27%
June 30, 2020.....	1,993,466	(2,001,774)	(8,308)	9,497,997	21.08%
June 30, 2019.....	2,050,395	(2,050,395)	-	9,877,260	20.76%
June 30, 2018.....	1,969,625	(1,969,625)	-	9,582,143	20.56%
June 30, 2017.....	1,782,984	(1,782,984)	-	9,077,187	19.64%
June 30, 2016.....	1,728,000	(1,728,000)	-	9,050,460	19.09%
June 30, 2015.....	1,642,000	(1,642,000)	-	8,436,420	19.46%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE SPECIAL FUNDING AMOUNTS
OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM**

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Therefore, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the associated collective net pension liability; the portion of the collective pension expense as both a revenue and pension expense recognized; and the Plan's fiduciary net position as a percentage of the total liability.

Year	Commonwealth's 100% Share of the Associated Net Pension Liability	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2023.....	\$ 8,276,080	\$ 680,788	57.75%
2022.....	7,797,095	625,684	62.03%
2021.....	9,829,387	1,214,070	50.67%
2020.....	8,258,045	1,001,431	53.95%
2019.....	7,584,925	768,622	54.84%
2018.....	7,289,344	760,810	54.25%
2017.....	7,679,617	783,371	52.73%
2016.....	6,577,293	533,477	57.83%
2015.....	5,047,663	350,685	61.46%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

Other Postemployment Benefits Plan Schedules

The Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered-employee payroll.

The Schedule of the Town's Contributions presents multi-year trend information on the Town's actual contributions to the other postemployment benefit plan and related ratios.

The Schedule of Investment Returns presents multi-year trend information on the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF CHANGES IN THE
TOWN'S NET OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
Total OPEB Liability							
Service Cost.....	\$ 1,177,954	\$ 1,041,148	\$ 684,949	\$ 613,489	\$ 604,258	\$ 628,374	\$ 685,113
Interest.....	764,269	886,416	1,148,275	1,512,081	1,547,427	1,433,780	1,554,762
Differences between expected and actual experience....	-	3,441,002	-	-	95,987	699,009	514,932
Changes of assumptions.....	(2,054,103)	(6,839,149)	-	(703,785)	(2,176,115)	-	(1,888,333)
Benefit payments.....	(516,195)	(539,424)	(701,806)	(977,606)	(887,978)	(1,027,702)	(1,153,620)
Net change in total OPEB liability.....	(628,075)	(2,010,007)	1,131,418	444,179	(816,421)	1,733,461	(287,146)
Total OPEB liability - beginning.....	22,238,263	21,610,188	19,600,181	20,731,599	21,175,778	20,359,357	22,092,818
Total OPEB liability - ending (a).....	<u>\$ 21,610,188</u>	<u>\$ 19,600,181</u>	<u>\$ 20,731,599</u>	<u>\$ 21,175,778</u>	<u>\$ 20,359,357</u>	<u>\$ 22,092,818</u>	<u>\$ 21,805,672</u>
Plan fiduciary net position							
Employer contributions.....	\$ 150,000	\$ 173,343	\$ 450,000	\$ 450,000	\$ 450,000	\$ 450,000	\$ 450,000
Employer contributions for OPEB payments.....	516,195	539,424	701,806	977,606	887,978	1,027,702	1,153,620
Net investment income.....	90,472	88,653	80,882	36,081	741,471	(145,022)	218,648
Benefit payments.....	(516,195)	(539,424)	(701,806)	(977,606)	(887,978)	(1,027,702)	(1,153,620)
Net change in plan fiduciary net position.....	240,472	261,996	530,882	486,081	1,191,471	304,978	668,648
Plan fiduciary net position - beginning of year.....	611,355	851,827	1,113,823	1,644,705	2,130,786	3,322,257	3,627,235
Plan fiduciary net position - end of year (b).....	<u>\$ 851,827</u>	<u>\$ 1,113,823</u>	<u>\$ 1,644,705</u>	<u>\$ 2,130,786</u>	<u>\$ 3,322,257</u>	<u>\$ 3,627,235</u>	<u>\$ 4,295,883</u>
Net OPEB liability - ending (a)-(b).....	<u>\$ 20,758,361</u>	<u>\$ 18,486,358</u>	<u>\$ 19,086,894</u>	<u>\$ 19,044,992</u>	<u>\$ 17,037,100</u>	<u>\$ 18,465,583</u>	<u>\$ 17,509,789</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	3.94%	5.68%	7.93%	10.06%	16.32%	16.42%	19.70%
Covered-employee payroll.....	\$ Unavailable	\$ Unavailable	\$ Unavailable	\$ Unavailable	\$ Unavailable	\$ Unavailable	\$ Unavailable
Net OPEB liability as a percentage of covered-employee payroll.....	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
June 30, 2023.....	\$ 1,760,107	\$ 1,603,620	\$ 156,487	N/A	N/A
June 30, 2022.....	1,780,932	1,477,702	303,230	N/A	N/A
June 30, 2021.....	1,723,879	1,337,978	385,901	N/A	N/A
June 30, 2020.....	1,760,851	1,427,606	333,245	N/A	N/A
June 30, 2019.....	1,705,424	1,151,806	553,618	N/A	N/A
June 30, 2018.....	1,281,208	712,767	568,441	N/A	N/A
June 30, 2017.....	1,237,882	666,195	571,687	N/A	N/A

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2023.....	5.41%
June 30, 2022.....	-3.88%
June 30, 2021.....	29.21%
June 30, 2020.....	1.75%
June 30, 2019.....	5.30%
June 30, 2018.....	8.78%
June 30, 2017.....	12.09%

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

NOTE A – BUDGETARY BASIS OF ACCOUNTINGBudgetary Information

Municipal Law (“MGL”) requires the adoption of a balanced budget that is approved by Town Meeting. The Select Board presents an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The Town Meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

The appropriated budget is prepared by fund, function, and department. Except as allowed by MGL in May and June, transfers of appropriations among departments require the approval of Town Meeting. Transfers within departments, between certain categories of expenditures, can be made with Finance Director approval.

The majority of appropriations are non-continuing which lapse at the end of each year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year can be carried forward and made available for spending in the current year. These carry forwards are included as part of the subsequent year’s original budget.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by two-thirds majority vote of the Select Board and written approval from the Massachusetts Department of Revenue.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2023 approved budget authorized approximately \$43.3 million, inclusive of \$1.0 million of carryover amounts from the prior year, in appropriations and other amounts to be raised. During fiscal year 2023, the original budget was increased by \$3.4 million for special articles voted outside of the general operating budget at the May 2023 Annual Town Meeting, and voted at the October 2022 Special Town Meeting.

The Town adopts an annual budget for the water special revenue fund in conformity with the guidelines described above.

The Town Accountant has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

Budgetary – GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2023, is presented on the following page.

Net change in fund balance - budgetary basis.....	\$ 1,135,264
<u>Perspective differences:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	396,455
<u>Basis of accounting differences:</u>	
Net change in recording tax refunds payable.....	(8,270)
Net change in recording 60 day receipts.....	(477)
Net change in recording accrued expenditures.....	(191,395)
Recognition of revenue for on-behalf payments.....	680,788
Recognition of expenditures for on-behalf payments.....	<u>(680,788)</u>
Net change in fund balance - GAAP basis.....	<u>\$ 1,331,577</u>

Appropriation Deficits

During 2023, expenditures exceeded budgeted appropriations for state and county charges. The Town is not required to raise this deficit.

NOTE B – PENSION PLAN

Schedule of the Town’s Proportionate Share of the Net Pension Liability

The Schedule of the Town’s Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability (asset), the proportionate share of the net pension liability, and the covered employee payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

Schedule of the Town’s Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member’s retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system’s funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. The Town may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the “total appropriation”. The pension fund appropriation is allocated to the Town based on covered payroll.

Changes in Assumptions

None.

Changes in Plan Provisions

None.

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

The Town administers a single-employer defined benefit healthcare plan (Plan). The Plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Town’s group health insurance plan, which covers both active and retired members.

The Other Postemployment Benefit Plan

The Schedule of Changes in the Town’s Net Other Postemployment Benefit Liability and Related Ratios

The Schedule of Changes in the Town’s Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan’s total OPEB liability, changes in the Plan’s net position, and ending net OPEB liability. It also demonstrates the Plans net position as a percentage of the total liability and the Plan’s net other postemployment benefit liability as a percentage of covered payroll.

Schedule of the Town’s Contributions

The Schedule of the Town’s Contributions includes the Town’s annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered employee payroll. The Town is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of the covered payroll. Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Methods and assumptions used to determine contribution rates are shown on the following page:

Valuation date.....	Actuarially determined contribution for 2023 was determined with the June 30, 2022 actuarial valuation.
Actuarial cost method.....	Entry Age Normal - Level percentage of payroll.
Amortization method.....	Level percentage of payroll. Payments increase 3.25% per year.
Remaining amortization period.....	24 years from July 1, 2022.
Asset valuation method.....	Fair Value
Investment rate of return.....	7.00%
Discount rate.....	7.00% as of June 30, 2023 and 7.00% as of June 30, 2022.
Inflation rate.....	3.25%
Health care trend cost rates.....	CCMHG: - Non-Medicare: 3.86% for 1 year, then 6.75% decreasing by 0.25% each year to an ultimate level of 4.50% per year. Medicare: 7.00% decreasing by 0.25% each year to an ultimate level of 4.50% per year. Dental: 0.00% for 1 year, then 3.00% Part B*: 5.15% for 1 year, then 4.50%. Contributions: Retiree contributions for medical and prescription drug coverage are expected to increase with medical trend.

Projected salary increases.....	<p>Service-related increases for Group 1 (excluding Teachers) and Group 2 employees: 6.00% decreasing over 11 years to an ultimate level of 4.00%.</p> <p>Service-related increase for Group 4 employees: 7.00% decreasing over 8 years to an ultimate level of 4.50%.</p> <p>Service-related increases for Teachers: 7.50% decreasing over 20 years to an ultimate level of 4.00%.</p>
Mortality rates:	
Pre-retirement mortality rates.....	<p>Healthy Non-Teachers: RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2021.</p> <p>Healthy Teachers: Pub-2010 Teachers Employee Headcount-Weighted Mortality Table projected generationally with Scale MP-2021.</p>
Post-retirement mortality rates.....	<p>Healthy Non-Teachers: RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2021.</p> <p>Healthy Teachers: Pub-2010 Teacher Healthy Retiree Headcount-Weighted Mortality Table projected generationally with Scale MP-2021.</p> <p>Disabled Non-Teachers: RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally with Scale MP-2021.</p> <p>Disabled Teachers: Pub-2010 Teacher Healthy Retiree Headcount-Weighted projected generationally with Scale MP-2021.</p>

Schedule of Investment Returns

The Schedule of Investment Returns includes the money-weighted investment return on the Plan’s other postemployment assets, net of investment expense.

Changes of Assumptions

- Per capita health costs, contributions and trends for retirees were updated to reflect current experience and future expectations.
- The mortality projection scale assumption was updated for both teachers and non-teachers to use the most recently released projection scale.

Changes in Provisions

None.

***Report on Internal Control over
Financial Reporting and on Compliance***

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Independent Auditor's Report

To the Honorable Select Board
Town of Orleans, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Orleans, Massachusetts, (the "Town") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 29, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of

financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



November 29, 2023