

TOWN OF SUTTON, MASSACHUSETTS

**FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2023



TOWN OF SUTTON, MASSACHUSETTS

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TOWN OF SUTTON, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

To the Select Board
Town of Sutton, Massachusetts

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying 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 Sutton, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the budgetary comparison for the General Fund, and certain pension and OPEB schedules 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 March 1, 2024 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, 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's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town's internal control over financial reporting and compliance.

Marcum LLP

Andover, MA
March 1, 2024

TOWN OF SUTTON, MASSACHUSETTS
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2023

As management of the Town of Sutton, Massachusetts (the Town) we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2023.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains 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 our finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all assets, liabilities, and deferred outflows/inflows of resources with the difference 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 Town’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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, health and human services, and culture and recreation. The business-type activities include sewer and transfer station 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. The Town’s funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

TOWN OF SUTTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

Governmental Funds

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

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. The proprietary fund category includes enterprise funds.

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, and (3) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs such as depreciation or debt service. The primary focus on these criteria is on fees charged to external users. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. Specifically, enterprise funds are used to account for sewer and transfer station operations, of which Sewer Fund is considered to be a major fund.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. 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 programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to 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.

TOWN OF SUTTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

Financial Highlights

- As of the close of the current fiscal year, net position in governmental activities was \$36,403,643, a change of \$1,560,556 and net position in business-type activities was \$7,307,310, a change of \$294,106.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$16,507,747, a change of \$1,474,745 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,440,493, a change of \$462,657 in comparison to the prior year.

Government-Wide Financial Analysis

The following is a summary of condensed government-wide financial data for the current and prior fiscal year.

	Net Position (in thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets						
Current and other assets	\$ 24,233	\$ 22,801	\$ 1,881	\$ 1,957	\$ 26,114	\$ 24,758
Capital assets	91,763	93,846	6,815	6,920	98,578	100,766
Total Assets	<u>115,996</u>	<u>116,647</u>	<u>8,696</u>	<u>8,877</u>	<u>124,692</u>	<u>125,524</u>
Deferred Outflows of Resources	<u>15,004</u>	<u>17,499</u>	<u>80</u>	<u>106</u>	<u>15,084</u>	<u>17,605</u>
Liabilities						
Current liabilities	4,394	4,105	85	81	4,479	4,186
Noncurrent liabilities	60,569	68,864	1,240	1,767	61,809	70,631
Total Liabilities	<u>64,963</u>	<u>72,969</u>	<u>1,325</u>	<u>1,848</u>	<u>66,288</u>	<u>74,817</u>
Deferred Inflows of Resources	<u>29,633</u>	<u>26,334</u>	<u>144</u>	<u>121</u>	<u>29,777</u>	<u>26,455</u>
Net Position						
Net investment in capital assets	71,923	71,844	5,741	5,334	77,664	77,178
Restricted	6,069	4,242	--	--	6,069	4,242
Unrestricted	(41,588)	(41,243)	1,566	1,680	(40,022)	(39,563)
Total Net Position	<u>\$ 36,404</u>	<u>\$ 34,843</u>	<u>\$ 7,307</u>	<u>\$ 7,014</u>	<u>\$ 43,711</u>	<u>\$ 41,857</u>

TOWN OF SUTTON, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

As noted earlier, net position may serve over time as a useful indicator of the Town's financial position. At the close of the most recent fiscal year, total net position was \$43,710,953, a change of \$1,854,662 in comparison to the prior year.

The largest portion of net position \$77,663,653 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$6,068,811, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit of \$(40,021,511) primarily resulting from unfunded pension and OPEB liabilities.

Change In Net Position (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues						
Charges for services	\$ 4,027	\$ 2,547	\$ 1,098	\$ 1,097	\$ 5,125	\$ 3,644
Operating grants and contributions	12,122	12,605	--	--	12,122	12,605
Capital grants and contributions	741	938	--	--	741	938
General revenues						
Property taxes	27,573	26,669	--	--	27,573	26,669
Excise taxes	2,131	2,101	--	--	2,131	2,101
Penalties, interest, and other taxes	133	156	--	--	133	156
Grants and contributions not restricted to specific programs	1,288	1,198	--	--	1,288	1,198
Investment income (loss)	279	(117)	--	--	279	(117)
Miscellaneous	275	243	80	136	355	379
Total Revenues	48,569	46,340	1,178	1,233	49,747	47,573
Expenses						
General government	3,176	2,332	--	--	3,176	2,332
Public safety	4,797	3,545	--	--	4,797	3,545
Education	34,663	25,048	--	--	34,663	25,048
Public works	2,318	2,227	--	--	2,318	2,227
Health and human services	502	456	--	--	502	456
Culture and recreation	402	79	--	--	402	79
Interest on long-term debt	646	750	--	--	646	750
Sewer services	--	--	1,264	1,219	1,264	1,219
Transfer station services	--	--	125	188	125	188
Total Expenses	46,504	34,437	1,389	1,407	47,893	35,844
Change in Net Position Before Transfers in (Out)	2,065	11,903	(211)	(174)	1,854	11,729
Transfers in (out)	(504)	(626)	504	509	--	(117)
Change in Net Position	1,561	11,277	293	335	1,854	11,612
Net Position - Beginning of Year	34,843	23,566	7,014	6,679	41,857	30,245
Net Position - End of Year	\$ 36,404	\$ 34,843	\$ 7,307	\$ 7,014	\$ 43,711	\$ 41,857

TOWN OF SUTTON, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$1,560,556. Key elements of this change are as follows:

General Fund operations	\$ 1,588,022
Decrease in OPEB expense from GASB 75	509,018
Increase in pension expense	(581,250)
Other	<u>44,766</u>
	<u>\$ 1,560,556</u>

The significant change in net position and governmental activities between fiscal year 2023 and fiscal year 2022 results from a change in the design of the Town's health insurance plan, which in fiscal year 2022, reduced OPEB expense by approximately \$13,000,000.

Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$294,106. This primarily resulted from an increase in user consumption of sewer services from the prior fiscal year.

Financial Analysis of the Town's Funds

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

General Fund

The General Fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$6,440,493, while total fund balance was \$12,491,836. The Town's unassigned fund balance increased by \$462,657 primarily from favorable budgetary results of \$2,740,635, less \$663,396 of fund balance used to supplement the fiscal year 2023 budget, and \$1,653,500 used for the fiscal year 2024 capital budget. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to General Fund expenditures. Refer to the table below.

General Fund	June 30, 2023	June 30, 2022	Change	% of General Fund Expenditures*
Unassigned fund balance	\$ 6,440,493	\$ 5,977,836	\$ 462,657	17.1%
Total fund balance	\$ 12,491,836	\$ 10,903,814	\$ 1,588,022	33.1%

* Expenditure amounts used to calculate the above percentages have been adjusted to exclude the on-behalf payment from the Commonwealth to the Massachusetts Teachers Retirement System of \$2,942,655.

TOWN OF SUTTON, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

The total fund balance of the General Fund changed by \$1,588,022 during the current fiscal year. Key factors in this change are as follows:

Use of free cash as a funding source	\$ (2,057,396)
Revenues in excess of budget	2,127,580
Expenditures less than budget	613,055
Change in stabilization	265,381
Change in year-end encumbrances	641,944
Other	(2,542)
	<u>\$ 1,588,022</u>

Included in the total General Fund balance are the Town's stabilization accounts with the following balances:

	June 30, 2023	June 30, 2022	Change
General stabilization (unassigned)	\$ 2,616,871	\$ 2,575,164	\$ 41,707
Capital stabilization (committed)	993,861	553,552	440,309
Health stabilization (committed)	404,806	398,354	6,452
Special education stabilization (committed)	486,434	690,664	(204,230)
Compensated absence reserve (committed)	140,765	159,622	(18,857)
	<u>\$ 4,642,737</u>	<u>\$ 4,377,356</u>	<u>\$ 265,381</u>

Other Major Funds

The ARPA Fund accounts for federal ARPA aid to respond to the public health and economic impacts of the public health emergency created by the COVID-19 pandemic. During fiscal year 2023, the Town received \$1,432,063 in grant revenue, \$167,082 of which was expended during the fiscal year.

Nonmajor Governmental Funds

The fund balance of nonmajor governmental funds balance changed by \$(113,277) primarily from timing differences between the receipt and disbursement of grants and permanent financing of capital projects.

Proprietary Funds

Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

TOWN OF SUTTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

Unrestricted net position of the enterprise funds at the end of the year amounted to \$1,566,400, a change of \$(113,710) in comparison to the prior year, resulting primarily from the transfer in from the General Fund for debt service.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$3,780,145. Major reasons for these amendments include:

- \$ 351,590 Increase in general government appropriations
- \$ 272,996 Increase in public safety appropriations
- \$ 806,600 Increase in education appropriations
- \$ 824,766 Increase in public works appropriations
- \$ 651,235 Increase in culture and recreation appropriations
- \$ 860,000 Increase in employee benefits appropriations

Of this increase, \$663,396 was funded through the use of free cash and \$1,715,832 of carryforwards of prior year appropriations. Additionally, there were other budgetary reclassifications during the fiscal year which have no impact on the Town's total budget.

Capital Assets and Debt Administration

Capital Assets

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$98,577,976 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, infrastructure, vehicles, and machinery, equipment, and furnishings.

Major capital asset events during the current fiscal year included the following:

- \$1,118,984 for various sidewalk and roadway improvements
- \$345,856 for purchase of motor vehicles for various uses

Additional information on capital assets can be found in the Notes to Financial Statements.

TOWN OF SUTTON, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$20,914,323 all of which was backed by the full faith and credit of the Town.

Credit Rating

The Town is currently assigned an "AA+" rating from Standard and Poor's for general obligation debt.

Additional information on long-term debt can be found in the Notes to Financial Statements.

Economic Factors and Next Year's Budgets and Rates (Whole Dollar Amounts)

- According to the Commonwealth of Massachusetts Division of Employment and Training, the unemployment rate for the Town of Sutton, Massachusetts was 2.9% as of November 2023, which compares favorably with the state rate of 2.8% and the national rate of 3.7% for the same time period.
- According to the U.S. Department of Commerce, the median family income for the Town for 2023 was \$123,542; the per capita income for the same time was \$56,895. This compares favorably with both state and national incomes.
- According to the Town's Board of Assessors, the average 2023 single-family home in Sutton is valued at \$491,142; the average two-family home is valued at \$318,366; the average three-family home is valued at \$437,250; the average condominium is valued at \$431,457; the average commercial property is valued at \$736,505; and the average industrial property is valued at \$1,140,579. All properties compare favorably with state and national property values.
- The Town approved a fiscal year 2024 General Fund budget of \$39,472,965 an increase of \$1,715,370 or 4.54% over the final fiscal year 2023 General Fund budget.
- The total property tax levy for fiscal year 2024 is \$28,896,598, an increase of \$1,331,186 or 4.83%. Local receipts are anticipated to be \$1,120,120 less than fiscal year 2023 and state aid is anticipated to be \$134,167 more than fiscal year 2023.

Requests for Information

This financial report is designed to provide a general overview of the Town of Sutton, Massachusetts finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Town Administrator
Town of Sutton
4 Uxbridge Road
Sutton, Massachusetts 01590

TOWN OF SUTTON, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and short-term investments	\$ 15,030,794	\$ 1,546,113	\$ 16,576,907
Investments	5,357,811	--	5,357,811
Receivables			
Property taxes	347,699	--	347,699
Excises	210,398	--	210,398
User fees	--	268,682	268,682
Departmental and other	47,077	--	47,077
Intergovernmental	476,235	--	476,235
Leases	274,572	--	274,572
Net OPEB asset	--	62,150	62,150
Other assets	--	4,000	4,000
Total Current Assets	<u>21,744,586</u>	<u>1,880,945</u>	<u>23,625,531</u>
Noncurrent Assets			
Receivables			
Property taxes	566,497	--	566,497
Leases	1,922,004	--	1,922,004
Capital assets			
Nondepreciable capital assets	6,455,752	291,140	6,746,892
Other capital assets, net of accumulated depreciation	<u>85,306,991</u>	<u>6,524,093</u>	<u>91,831,084</u>
Total Noncurrent Assets	<u>94,251,244</u>	<u>6,815,233</u>	<u>101,066,477</u>
Total Assets	<u>115,995,830</u>	<u>8,696,178</u>	<u>124,692,008</u>
Deferred Outflows of Resources			
Related to pension	2,521,871	13,437	2,535,308
Related to OPEB	<u>12,482,400</u>	<u>66,509</u>	<u>12,548,909</u>
Total Deferred Outflows of Resources	<u>15,004,271</u>	<u>79,946</u>	<u>15,084,217</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SUTTON, MASSACHUSETTS

STATEMENT OF NET POSITION (CONTINUED)

JUNE 30, 2023

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current Liabilities			
Accounts payable	637,118	--	637,118
Accrued liabilities	1,291,116	77,700	1,368,816
Unearned revenues	2,383,092	--	2,383,092
Other current liabilities	83,490	7,068	90,558
Current portion of long-term liabilities			
Bonds payable	2,175,000	532,278	2,707,278
Compensated absences liability	20,076	642	20,718
Landfill liability	16,000	--	16,000
Total Current Liabilities	<u>6,605,892</u>	<u>617,688</u>	<u>7,223,580</u>
Noncurrent Liabilities			
Bonds payable, net of current portion	17,665,000	542,045	18,207,045
Compensated absences liability, net of current portion	381,449	12,231	393,680
Landfill liability, net of current portion	32,000	--	32,000
Net pension liability	19,678,883	104,854	19,783,737
Net OPEB liability	20,600,561	48,231	20,648,792
Total Noncurrent Liabilities	<u>58,357,893</u>	<u>707,361</u>	<u>59,065,254</u>
Total Liabilities	<u>64,963,785</u>	<u>1,325,049</u>	<u>66,288,834</u>
Deferred Inflows of Resources			
Related to pension	804,838	4,288	809,126
Related to OPEB	26,176,975	139,477	26,316,452
Related to leases	2,196,576	--	2,196,576
Related to debt refunding	454,284	--	454,284
Total Deferred Inflows of Resources	<u>29,632,673</u>	<u>143,765</u>	<u>29,776,438</u>
Net Position			
Net investment in capital assets	71,922,743	5,740,910	77,663,653
Restricted for:			
Grants and other statutory purposes	5,585,195	--	5,585,195
Permanent funds			
Nonexpendable	139,601	--	139,601
Expendable	344,015	--	344,015
Unrestricted	(41,587,911)	1,566,400	(40,021,511)
Total Net Position	<u>\$ 36,403,643</u>	<u>\$ 7,307,310</u>	<u>\$ 43,710,953</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SUTTON, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2023

		Program Revenues		Net (Expenses) Revenues	
			Operating	Capital	
		Charges for	Grants and	Grants and	
	Expenses	Services	Contributions	Contributions	
Governmental Activities					
General government	\$ 3,175,472	\$ 1,869,493	\$ 648,512	\$ --	\$ (657,467)
Public safety	4,797,169	1,061,694	76,630	--	(3,658,845)
Education	34,663,452	856,753	11,247,060	--	(22,559,639)
Public works	2,317,733	53,042	--	741,359	(1,523,332)
Health and human services	502,166	150,079	56,102	--	(295,985)
Culture and recreation	402,349	35,742	93,315	--	(273,292)
Interest on long-term debt	<u>645,592</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(645,592)</u>
Total Governmental Activities	<u>46,503,933</u>	<u>4,026,803</u>	<u>12,121,619</u>	<u>741,359</u>	<u>(29,614,152)</u>
Business-Type Activities					
Sewer services	1,264,355	937,173	--	--	(327,182)
Transfer station services	<u>124,978</u>	<u>160,933</u>	<u>--</u>	<u>--</u>	<u>35,955</u>
Total Business-Type Activities	<u>1,389,333</u>	<u>1,098,106</u>	<u>--</u>	<u>--</u>	<u>(291,227)</u>
Total	<u>\$ 47,893,266</u>	<u>\$ 5,124,909</u>	<u>\$ 12,121,619</u>	<u>\$ 741,359</u>	<u>(29,905,379)</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SUTTON, MASSACHUSETTS

STATEMENT OF ACTIVITIES (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2023

	Governmental Activities	Business-Type Activities	Total
Change in net (expenses) revenues from previous page	\$ (29,614,152)	\$ (291,227)	\$ (29,905,379)
General Revenues and Transfers			
Property taxes	27,573,321	--	27,573,321
Excise taxes	2,130,769	--	2,130,769
Penalties, interest, and other taxes	132,577	--	132,577
Grants and contributions not restricted to specific programs	1,287,816	--	1,287,816
Investment income	279,294	--	279,294
Miscellaneous	275,105	81,159	356,264
Transfers	(504,174)	504,174	--
Total General Revenues and Transfers	<u>31,174,708</u>	<u>585,333</u>	<u>31,760,041</u>
Change in Net Position	1,560,556	294,106	1,854,662
Net Position			
Beginning of Year	<u>34,843,087</u>	<u>7,013,204</u>	<u>41,856,291</u>
End of Year	<u><u>\$ 36,403,643</u></u>	<u><u>\$ 7,307,310</u></u>	<u><u>\$ 43,710,953</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SUTTON, MASSACHUSETTS

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2023

	General Fund	ARPA Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and short-term investments	\$ 9,906,235	\$ 2,383,092	\$ 2,741,467	\$ 15,030,794
Investments	4,476,112	--	881,699	5,357,811
Receivables				
Property taxes	914,196	--	--	914,196
Excises	210,398	--	--	210,398
Departmental and other	47,077	--	--	47,077
Intergovernmental	--	--	476,235	476,235
Leases	2,196,576	--	--	2,196,576
Total Assets	<u>\$ 17,750,594</u>	<u>\$ 2,383,092</u>	<u>\$ 4,099,401</u>	<u>\$ 24,233,087</u>
Liabilities				
Accounts payable	\$ 637,118	\$ --	\$ --	\$ 637,118
Accrued liabilities	1,291,116	--	--	1,291,116
Unearned revenues	--	2,383,092	--	2,383,092
Other liabilities	--	--	83,490	83,490
Total Liabilities	<u>1,928,234</u>	<u>2,383,092</u>	<u>83,490</u>	<u>4,394,816</u>
Deferred Inflows of Resources				
Unavailable revenues	1,133,948	--	--	1,133,948
Related to leases	2,196,576	--	--	2,196,576
Total Deferred Inflows of Resources	<u>3,330,524</u>	<u>--</u>	<u>--</u>	<u>3,330,524</u>
Fund Balances				
Nonspendable	--	--	139,601	139,601
Restricted	10,759	--	3,991,746	4,002,505
Committed	5,499,622	--	--	5,499,622
Assigned	540,962	--	--	540,962
Unassigned	6,440,493	--	(115,436)	6,325,057
Total Fund Balances	<u>12,491,836</u>	<u>--</u>	<u>4,015,911</u>	<u>16,507,747</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 17,750,594</u>	<u>\$ 2,383,092</u>	<u>\$ 4,099,401</u>	<u>\$ 24,233,087</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SUTTON, MASSACHUSETTS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION

JUNE 30, 2023

<i>Total Governmental Fund Balances</i>	\$ 16,507,747
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	91,762,743
Deferred outflows of resources related to pension to be recognized in pension expense in future periods.	2,521,871
Deferred outflows of resources related to OPEB to be recognized in OPEB expense in future periods.	12,482,400
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,133,948
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:	
Bonds payable	(19,840,000)
Net pension liability	(19,678,883)
Net OPEB liability	(20,600,561)
Compensated absences liability	(401,525)
Landfill liability	(48,000)
Deferred inflows of resources related to pension to be recognized in pension expense in future periods.	(804,838)
Deferred inflows of resources related to OPEB to be recognized in OPEB expense in future periods.	(26,176,975)
Deferred inflows of resources related to debt refunding to be recognized in debt service expense in future periods.	<u>(454,284)</u>
<i>Net Position of Governmental Activities</i>	<u>\$ 36,403,643</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SUTTON, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	ARPA Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 27,462,340	\$ --	\$ --	\$ 27,462,340
Excise taxes	2,160,394	--	--	2,160,394
Penalties, interest, and other taxes	95,505	--	--	95,505
Charges for services	1,967,821	--	1,378,744	3,346,565
Intergovernmental	9,840,353	167,082	3,962,283	13,969,718
Licenses and permits	680,238	--	--	680,238
Fines and forfeitures	37,072	--	--	37,072
Investment income	263,978	--	15,316	279,294
Contributions and donations	--	--	146,194	146,194
Miscellaneous	238,975	--	80,771	319,746
Total Revenues	<u>42,746,676</u>	<u>167,082</u>	<u>5,583,308</u>	<u>48,497,066</u>
Expenditures				
Current				
General government	1,964,648	167,082	558,136	2,689,866
Public safety	3,271,384	--	293,886	3,565,270
Education	24,062,197	--	3,935,952	27,998,149
Public works	1,740,899	--	735,724	2,476,623
Health and human services	315,197	--	108,984	424,181
Culture and recreation	281,252	--	78,999	360,251
Employee benefits	6,136,429	--	--	6,136,429
Debt service				
Principal	2,165,004	--	--	2,165,004
Interest	702,374	--	--	702,374
Total Expenditures	<u>40,639,384</u>	<u>167,082</u>	<u>5,711,681</u>	<u>46,518,147</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,107,292</u>	<u>--</u>	<u>(128,373)</u>	<u>1,978,919</u>
Other Financings Sources (Uses)				
Transfers in	--	--	15,096	15,096
Transfers out	(519,270)	--	--	(519,270)
Total Other Financing Sources (Uses)	<u>(519,270)</u>	<u>--</u>	<u>15,096</u>	<u>(504,174)</u>
Change in Fund Balance	1,588,022	--	(113,277)	1,474,745
Fund Balance, at Beginning of Year	<u>10,903,814</u>	<u>--</u>	<u>4,129,188</u>	<u>15,033,002</u>
Fund Balance, at End of Year	<u>\$ 12,491,836</u>	<u>\$ --</u>	<u>\$ 4,015,911</u>	<u>\$ 16,507,747</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SUTTON, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2023

Net Changes in Fund Balances - Total Governmental Funds \$ 1,474,745

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:

Capital outlay	2,451,256
Net effect from disposal of assets	(44,644)
Depreciation	(4,489,782)

The issuance of long-term debt (e.g., bonds) 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, however, has any effect on net position:

Repayments of general obligation bonds	2,165,000
--	-----------

Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. 81,355

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 governmental funds:

Change in net pension liability and related deferred outflows and inflows	(581,250)
Change in net OPEB liability and related deferred outflows and inflows	509,018
Change in landfill liability	16,004
Change in compensated absences liability	(77,932)
Amortization on deferred amount on prior year refunding	<u>56,786</u>

Change in Net Position of Governmental Activities \$ 1,560,556

The accompanying notes are an integral part of these financial statements.

TOWN OF SUTTON, MASSACHUSETTS

STATEMENT OF NET POSITION PROPRIETARY FUNDS

JUNE 30, 2023

	Sewer Fund	(Nonmajor) Transfer Station Fund	Total
Assets			
Current Assets			
Cash and short-term investments	\$ 1,471,775	\$ 74,338	\$ 1,546,113
User fees receivable	268,682	--	268,682
Net OPEB asset	62,150	--	62,150
Other assets	--	4,000	4,000
Total Current Assets	<u>1,802,607</u>	<u>78,338</u>	<u>1,880,945</u>
Noncurrent Assets			
Capital assets			
Nondepreciable capital assets	291,140	--	291,140
Other capital assets, net of accumulated depreciation	<u>6,513,352</u>	<u>10,741</u>	<u>6,524,093</u>
Total Noncurrent Assets	<u>6,804,492</u>	<u>10,741</u>	<u>6,815,233</u>
Total Assets	<u>8,607,099</u>	<u>89,079</u>	<u>8,696,178</u>
Deferred Outflows of Resources			
Related to pension	7,606	5,831	13,437
Related to OPEB	<u>37,647</u>	<u>28,862</u>	<u>66,509</u>
Total Deferred Outflows of Resources	<u>45,253</u>	<u>34,693</u>	<u>79,946</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SUTTON, MASSACHUSETTS

STATEMENT OF NET POSITION (CONTINUED) PROPRIETARY FUNDS

JUNE 30, 2023

	Sewer Fund	(Nonmajor) Transfer Station Fund	Total
Liabilities			
Current Liabilities			
Accrued liabilities	65,000	12,700	77,700
Other current liabilities	7,068	--	7,068
Current portion of long-term liabilities:			
Bonds payable	532,278	--	532,278
Compensated absences liability	642	--	642
Total Current Liabilities	<u>604,988</u>	<u>12,700</u>	<u>617,688</u>
Noncurrent			
Bonds payable, net of current portion	542,045	--	542,045
Compensated absences liability, net of current portion	12,231	--	12,231
Net pension liability	59,351	45,503	104,854
Net OPEB liability	--	48,231	48,231
Total Noncurrent Liabilities	<u>613,627</u>	<u>93,734</u>	<u>707,361</u>
Total Liabilities	<u>1,218,615</u>	<u>106,434</u>	<u>1,325,049</u>
Deferred Inflows of Resources			
Related to pension	2,427	1,861	4,288
Related to OPEB	78,949	60,528	139,477
Total Deferred Inflows of Resources	<u>81,376</u>	<u>62,389</u>	<u>143,765</u>
Net Position			
Net investment in capital assets	5,730,169	10,741	5,740,910
Unrestricted	1,622,192	(55,792)	1,566,400
Total Net Position	<u>\$ 7,352,361</u>	<u>\$ (45,051)</u>	<u>\$ 7,307,310</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SUTTON, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2023

	Business-Type Activities Enterprise Funds		
	(Nonmajor)		
	Sewer Fund	Transfer Station Fund	Total
Operating Revenues			
Charges for services	\$ 937,173	\$ 160,933	\$ 1,098,106
Total Operating Revenues	<u>937,173</u>	<u>160,933</u>	<u>1,098,106</u>
Operating Expenses			
Salaries and benefits	380,524	30,898	411,422
Other operating expenses	499,107	91,204	590,311
Depreciation	<u>342,589</u>	<u>2,876</u>	<u>345,465</u>
Total Operating Expenses	<u>1,222,220</u>	<u>124,978</u>	<u>1,347,198</u>
Operating Income (Loss)	<u>(285,047)</u>	<u>35,955</u>	<u>(249,092)</u>
Nonoperating Revenues (Expenses)			
Other nonoperating income	63,801	9,384	73,185
Miscellaneous revenues	--	7,974	7,974
Interest expense	<u>(42,135)</u>	<u>--</u>	<u>(42,135)</u>
Total Nonoperating Revenues (Expenses), Net	<u>21,666</u>	<u>17,358</u>	<u>39,024</u>
Net Income (Loss) Before Transfers In	<u>(263,381)</u>	<u>53,313</u>	<u>(210,068)</u>
Transfers in	<u>504,174</u>	<u>--</u>	<u>504,174</u>
Change in Net Position	<u>240,793</u>	<u>53,313</u>	<u>294,106</u>
Net Position, Beginning of Year	<u>7,111,568</u>	<u>(98,364)</u>	<u>7,013,204</u>
Net Position, End of Year	<u>\$ 7,352,361</u>	<u>\$ (45,051)</u>	<u>\$ 7,307,310</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SUTTON, MASSACHUSETTS

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2023

	Business-Type Activities Enterprise Funds		
	Sewer Fund	Transfer Station Fund	Total
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 930,849	\$ 160,933	\$ 1,091,782
Payments to employees	(343,742)	(89,725)	(433,467)
Payments to vendors	(497,918)	(88,529)	(586,447)
Net Cash Provided by (Used in) Operating Activities	<u>89,189</u>	<u>(17,321)</u>	<u>71,868</u>
Cash Flows from Noncapital Financing Activities			
Transfers in	504,174	--	504,174
Intergovernmental	58,654	--	58,654
Net Cash Provided by Noncapital Financing Activities	<u>562,828</u>	<u>--</u>	<u>562,828</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(240,540)	--	(240,540)
Principal payments on bonds	(512,744)	--	(512,744)
Interest expense	(42,135)	--	(42,135)
Other non-operating income	5,145	17,358	22,503
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(790,274)</u>	<u>17,358</u>	<u>(772,916)</u>
Net Change in Cash and Short-Term Investments	(138,257)	37	(138,220)
Cash and Short-Term Investments, Beginning of Year	<u>1,610,032</u>	<u>74,301</u>	<u>1,684,333</u>
Cash and Short-Term Investments, End of Year	<u>\$ 1,471,775</u>	<u>\$ 74,338</u>	<u>\$ 1,546,113</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating income (loss)	\$ (285,047)	\$ 35,955	\$ (249,092)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	342,589	2,876	345,465
Changes in assets, liabilities, and deferred outflows/inflows:			
User fees receivable	(6,324)	--	(6,324)
Accrued liabilities	1,552	2,675	4,227
Net pension liability and related deferrals	50,684	(19,526)	31,158
Net OPEB liability and related deferrals	(14,265)	(39,301)	(53,566)
Net Cash Provided by Operating Activities	<u>\$ 89,189</u>	<u>\$ (17,321)</u>	<u>\$ 71,868</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SUTTON, MASSACHUSETTS

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS

JUNE 30, 2023

	OPEB Trust Fund	Custodial Funds
Assets		
Cash and short-term investments	\$ 17,410	\$ 262,738
Investments		
Equity mutual funds	2,937,282	--
Fixed income mutual funds	1,022,976	--
Corporate equities	<u>370,991</u>	<u>--</u>
Total Investments	<u>4,331,249</u>	<u>--</u>
Total Assets	<u>4,348,659</u>	<u>262,738</u>
Liabilities		
Other liabilities	<u>--</u>	<u>187,227</u>
Total Liabilities	<u>--</u>	<u>187,227</u>
Net Position		
Restricted for OPEB purposes	4,348,659	--
Restricted for other purposes	<u>--</u>	<u>75,511</u>
Total Net Position	<u>\$ 4,348,659</u>	<u>\$ 75,511</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SUTTON, MASSACHUSETTS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2023

	OPEB Trust Fund	Custodial Funds
Additions		
Contributions:		
Employer	\$ 1,456,792	\$ --
Plan members	<u>394,634</u>	<u>--</u>
Total Contributions	<u>1,851,426</u>	<u>--</u>
Investment Income		
Investment Income	<u>352,428</u>	<u>67</u>
Net Investment Income	<u>352,428</u>	<u>67</u>
Taxes collected for other governments	--	205,778
Fees collected for students	--	323,217
Miscellaneous	<u>--</u>	<u>43,215</u>
Total Additions	<u>2,203,854</u>	<u>572,277</u>
Deductions		
Benefit payments to plan members and beneficiaries	896,426	--
Payment of taxes to other governments	--	233,707
Payments on behalf of students	--	332,064
Other	<u>--</u>	<u>43,740</u>
Total Deductions	<u>896,426</u>	<u>609,511</u>
Change in Net Position	1,307,428	(37,234)
Net Position Restricted for OPEB and Other Purposes		
Beginning of Year	<u>3,041,231</u>	<u>112,745</u>
End of Year	<u><u>\$ 4,348,659</u></u>	<u><u>\$ 75,511</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Sutton, Massachusetts (the Town) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental and financial reporting principles. The following is a summary of the significant policies:

REPORTING ENTITY

The Town is a municipal corporation governed by an elected Select Board. As required by GAAP, these financial statements present the Town and applicable component units for which the Town is considered to be financially accountable. In fiscal year 2023, it was determined that no entities met the component unit requirements of GASB 14 (as amended).

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given 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 (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

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

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the 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.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes and excises.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures such as debt service, claims and judgments, compensated absences, OPEB, and pension are recorded only when payment is due.

The Town reports the following major governmental funds:

- The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *ARPA Fund* is the used to account for the federal ARPA aid received in response to the COVID-19 pandemic.

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Fund Financial Statements (Continued)

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recorded when 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 a proprietary fund's principal ongoing operations. The principal operating revenues of an enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports the *Sewer Fund* as a major proprietary fund.

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

The Town reports the following fiduciary funds:

- The *Other Post-Employment Benefits Trust Fund* is used to accumulate resources for health and life insurance benefits for retired employees.
- The *Custodial Funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others and are not required to be reported elsewhere on the financial statements. Custodial funds include taxes and fees collected on behalf of other governments, as well as fees collected on behalf of students.

CASH AND INVESTMENTS

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND INVESTMENTS (CONTINUED)

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, savings accounts, and money market accounts. Generally, a cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the financial statements under the caption "cash and short-term investments".

For purpose of the Statement of Cash Flows, the proprietary funds consider investments with original maturities of three months or less to be cash equivalents.

Where applicable, fair values based on quotations from national securities exchanges, except for certain investments that are required to be presented using net asset value (NAV). The NAV per share is the amount of net assets attributable to each share outstanding at the close of the period. Investment measured at NAV for fair value are not subject to level classification.

The Town invests in the Massachusetts Municipal Depository Trust (MMDT) Cash Portfolio, an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts. This cash portfolio meets the requirements of GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, where investments are valued at amortized cost which approximates the net asset value of \$1 per share.

Investments are carried at fair value, except certificates of deposit which are reported at cost.

PROPERTY TAX LIMITATIONS

Legislation known as "Proposition 2½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2½% (excluding new growth), unless an override is voted.

LEASES

The Town recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the Town initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date.

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASES (CONTINUED)

Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. The following key assumptions are made:

- The Town uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease, including renewal terms reasonably certain to be exercised. Lease receipts included in the measurement of the lease receivable are comprised of fixed payments from the lessee.

The Town monitors changes in circumstances that would require a remeasurement of its lease receivable and will remeasure the lease receivable if certain changes occur that are expected to significantly affect the amount of the lease receivable.

CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$25,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Building improvements	20
Infrastructure	20 - 75
Vehicles	5
Machinery	5
Office equipment and furnishings	5

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COMPENSATED ABSENCES

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

LONG-TERM OBLIGATIONS

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

FUND EQUITY

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance

Generally, fund balance represents the difference between current assets/deferred outflows and current liabilities/deferred inflows. The Town implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions, as follows:

- *Nonspendable* represents amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. This fund balance classification includes nonmajor governmental fund reserves for the principal portion of permanent trust funds.
- *Restricted* represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes various special revenue and capital project funds, the income portion of permanent trust funds, and debt service funds.

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND EQUITY (CONTINUED)

Fund Balance (Continued)

- *Committed* represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes General Fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources, General Fund encumbrances for non-lapsing special article appropriations approved at Town Meeting, and special purpose stabilization funds.
- *Assigned* represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes departmental encumbrances and surplus set aside to be used in the subsequent year's budget. The Town follows an informal policy that permits management to assign fund balance amounts to a specific purpose, although fund balance to be applied against a subsequent year's budget is voted by Town Meeting.
- *Unassigned* represents amounts that are available to be spent in future periods, general stabilization, and deficit funds.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Position

Net position represents the difference between assets and liabilities/deferred inflows. Net investment in capital assets, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets.

Net position is reported as restricted when there are limitations imposed on use either through enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGETARY INFORMATION

At the annual Town Meeting, the Finance Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by Town Meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line-item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the General Fund and proprietary funds.

At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

DEFICIT FUND EQUITY

Certain individual funds reflected deficit balances as of June 30, 2023. It is anticipated that the deficits in these funds will be eliminated through future departmental revenues, intergovernmental revenues, and transfers from other funds.

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS

Massachusetts General Laws (MGL) Chapter 44, Section 55 place certain limitation on the nature of deposits and investments available to the Town. Deposits, including demand deposits, money markets, and certificates of deposits in any one financial institution, may not exceed 60% of the capital and surplus of such institution unless collateralized by the institution involved. Investments may be made in unconditionally guaranteed U.S. government obligations having maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consist of such obligations. Other allowable investments include certificates of deposits having a maturity date of up to 3 years from the date of purchase, national banks, and Massachusetts Municipal Depository Trust (MMDT). MMDT, which is an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts, meets the criteria established by Governmental Accounting Standards Board (GASB) 79. MMDT has a maturity of less than 1 year and is not rated or subject to custodial credit risk disclosure. MGL Chapter 44, Section 54 provides additional investment options for certain special revenue, trust, and OPEB funds.

DEPOSITS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The Town does not have a deposit policy for custodial credit risk.

As of June 30, 2023, none of the Town's bank balance of \$27,302,914 was exposed to custodial credit risk as uninsured and/or uncollateralized.

INVESTMENTS

The following is a summary of the Town's investments as of June 30, 2023:

Investment Type	Amount
Corporate bonds	\$ 2,507,103
Corporate equities	1,030,282
Equity mutual funds	2,937,282
Exchange traded funds	62,823
Federal agency securities	495,879
Fixed income mutual funds	1,022,976
Market-linked certificates of deposit	152,608
U.S. Treasury notes	1,480,107
	<u>\$ 9,689,060</u>

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS (CONTINUED)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Town will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town's custodial credit risk policy is to limit investments to only those financial institutions assigned the highest rating by one or more of the recognized bank rating services. The Town manages this custodial credit risk with SIPC and excess SIPC.

As of June 30, 2023, none of the Town's investments were subject to custodial credit risk exposure because the related securities were uninsured, unregistered, and/or held by the Town's brokerage firm.

Credit Risk - Investments in Debt Securities

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The Town's investment policies related to credit risk require the use of diversification, prudent selection of investment instruments, and choice depository to mitigate credit risk.

As of June 30, 2023, the credit quality ratings, as rated by Moody's Investors Service, of the Town's debt securities were as follows (U.S. Treasury notes have an implied rating of Aaa):

Investment Type	Amount	Rating as of Year End		
		Aaa	A-2 - A-1	Baa1 - Baa2
Corporate bonds	\$ 2,507,103	\$ 249,150	\$ 1,028,091	\$ 1,229,862
Federal agency securities	<u>495,879</u>	<u>495,879</u>	<u>--</u>	<u>--</u>
	<u>\$ 3,002,982</u>	<u>\$ 745,029</u>	<u>\$ 1,028,091</u>	<u>\$ 1,229,862</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the Town's investment in a single issuer. The Town's policies related to concentration of credit risk exposure limit bank deposits of any kind to no more than 20% of the Town's cash, except for exigent circumstances.

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS (CONTINUED)

Concentration of Credit Risk (Continued)

As of June 30, 2023, the Town did not have an investment in one issuer greater than 5% of total investments.

Interest Rate Risk - Investments in Debt Securities

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town's policy related to interest rate risk is to minimize the liquidation of investments that could result in forfeiture of accrued interest earnings or even in some cases, loss of principal, by structuring the portfolio so securities mature to meet all operating requirements that may be reasonably anticipated.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations was as follows at June 30, 2023:

Investment Type	Amount	Investment Maturities (in Years)	
		Less Than 1	1-5
Corporate bonds	\$ 2,507,103	\$ 734,940	\$ 1,772,163
Federal agency securities	495,879	--	495,879
Market-linked certificates of deposit	152,608	152,608	--
U.S. Treasury notes	<u>1,480,107</u>	<u>--</u>	<u>1,480,107</u>
	<u>\$ 4,635,697</u>	<u>\$ 887,548</u>	<u>\$ 3,748,149</u>

Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town's policy for foreign currency risk is to prohibit investments in foreign currency.

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS (CONTINUED)

Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72).

The hierarchy is based on the valuation inputs used to measure the fair value of an asset or a liability and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 - inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date.
- Level 2 - inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as Level 2.
- Level 3 - unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Town's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS (CONTINUED)

Fair Value (Continued)

The Town had the following fair value measurements as of June 30, 2023:

Investment Type	Amount	Fair Value Measurements Using		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Corporate bonds	\$ 2,507,103	\$ --	\$ 2,507,103	\$ --
Corporate equities	1,030,282	1,030,282	--	--
Equity mutual funds	2,937,282	2,937,282	--	--
Exchange traded funds	62,823	62,823	--	--
Federal agency securities	495,879	--	495,879	--
Fixed income mutual funds	1,022,976	1,022,976	--	--
Market-linked certificates of deposit	152,608	--	152,608	--
U.S. Treasury notes	1,480,107	1,480,107	--	--
Total	<u>\$ 9,689,060</u>	<u>\$ 6,533,470</u>	<u>\$ 3,155,590</u>	<u>\$ --</u>

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the security's relationship to benchmark quote prices. Level 2 debt securities have non-proprietary information that is readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

NOTE 4 - PROPERTY TAXES AND EXCISES RECEIVABLE

Real and personal property taxes are based on market values assessed as of each January 1. By law, all taxable property must be assessed at 100% of fair cash value. Also by law, property taxes must be levied at least 30 days prior to their due date. Once levied, these taxes are recorded as receivables, net of estimated uncollectible balances. Property tax revenues have been recorded using the accrual and modified accrual basis of accounting on the government-wide and fund basis statements, respectively.

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 4 - PROPERTY TAXES AND EXCISES RECEIVABLE (CONTINUED)

The Town bills and collects its property taxes on a quarterly basis following the January 1 assessment. The due dates for those quarterly tax billings are August 1, November 1, February 1, and May 1. Property taxes that remain unpaid after the respective due dates are subject to penalties and interest charges.

Based on the Town's experience, most property taxes are collected during the year in which they are assessed. Liening of properties on which taxes remain unpaid generally occurs annually. The Town ultimately has the right to foreclose on all properties where the taxes remain unpaid.

A statewide property tax limitation known as "Proposition 2 ½" limits the amount of increase in the property tax levy in any fiscal year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2 ½% of the total assessed value of all taxable property within the Town. Secondly, the tax levy cannot increase by more than 2 1/2 % of the prior year's levy plus the taxes on property newly added to the tax rolls. The actual fiscal year 2023 tax levy reflected an excess capacity of \$19,804.

Motor vehicle excise taxes are assessed annually for every motor vehicle and trailer registered in the Commonwealth of Massachusetts. The Registry of Motor Vehicles annually calculates the value of all registered motor vehicles for the purpose of excise assessment. The amount of motor vehicle excise tax due is calculated using a fixed rate of \$25 per \$1,000 of value.

Property taxes and excises receivable at June 30, 2023 consisted of the following:

	Gross Amount	Current Portion	Long- Term Portion
Real estate taxes	\$ 293,291	\$ 293,291	\$ --
Personal property taxes	54,408	54,408	--
Tax liens	<u>566,497</u>	<u>--</u>	<u>566,497</u>
Total Property Taxes	<u>\$ 914,196</u>	<u>\$ 347,699</u>	<u>\$ 566,497</u>
Motor vehicle excise	\$ 206,422	\$ 206,422	
Other excise	<u>3,976</u>	<u>3,976</u>	
Total Excises	<u>\$ 210,398</u>	<u>\$ 210,398</u>	

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 5 - USER FEES RECEIVABLE

The Town provides sewer services but does not supply public water. Sewer bills are mailed twice annually covering January through June, and July through December. Usage is based on gallon consumption, with a minimum bill of \$295 for the first 30,000 gallons and a fee of \$6.25 for every additional 1,000 gallons used over 30,000.

NOTE 6 - LEASES RECEIVABLE

In fiscal year 2022, the Town implemented GASB Statement No. 87, *Leases*, which changed the definition of a lease and requires a lease receivable, offset with deferred inflows, to be shown on the financial statements. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction.

Leases receivable consisted of the following at June 30, 2023:

Purpose	Original Issue	Serial Maturities Through	Interest Rate %	Amount Outstanding
				As of June 30, 2023
Town Farm Road Cell Tower	8/2/2011	8/2/2041	0%	\$ 2,088,576
Manchaug Library	8/1/2015	7/31/2025	0%	<u>108,000</u>
				<u><u>\$ 2,196,576</u></u>

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 7 - TRANSFERS

The Town reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. Major interfund transfers for fiscal year 2023 were as follows:

	Transfers In	Transfers Out
Governmental Funds		
General Fund	\$ --	\$ (519,270)
Nonmajor Funds		
Expendable Trust Funds	15,096	--
Business-Type Funds		
Sewer Fund	<u>504,174</u>	<u>--</u>
	<u>\$ 519,270</u>	<u>\$ (519,270)</u>

Of the \$519,270 transferred from the General Fund, \$504,174 represents the annual transfer of the monies to the Sewer Fund for sewer debt service that is appropriated in the General Fund.

The Town's other routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the General Fund to other funds based on budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to expend them.

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, being depreciated				
Buildings and improvements	\$ 103,617	\$ --	\$ --	\$ 103,617
Machinery, equipment, and furnishings	6,777	893	--	7,670
Motor vehicles	6,672	346	(184)	6,834
Infrastructure	<u>22,785</u>	<u>1,253</u>	<u>--</u>	<u>24,038</u>
Total Capital Assets, Being Depreciated	<u>139,851</u>	<u>2,492</u>	<u>(184)</u>	<u>142,159</u>
Less accumulated depreciation for				
Buildings and improvements	(35,301)	(2,552)	--	(37,853)
Machinery, equipment, and furnishings	(3,279)	(637)	--	(3,916)
Motor vehicle	(3,697)	(362)	139	(3,920)
Infrastructure	<u>(10,224)</u>	<u>(939)</u>	<u>--</u>	<u>(11,163)</u>
Total Accumulated Depreciation	<u>(52,501)</u>	<u>(4,490)</u>	<u>139</u>	<u>(56,852)</u>
Capital Assets, Being Depreciated, Net	<u>87,350</u>	<u>(1,998)</u>	<u>(45)</u>	<u>85,307</u>
Capital assets, not being depreciated				
Land	6,406	--	--	6,406
Construction in progress	<u>89</u>	<u>394</u>	<u>(433)</u>	<u>50</u>
Total Capital Assets, Not Being Depreciated	<u>6,495</u>	<u>394</u>	<u>(433)</u>	<u>6,456</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 93,845</u></u>	<u><u>\$ (1,604)</u></u>	<u><u>\$ (478)</u></u>	<u><u>\$ 91,763</u></u>

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 8 - CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets, being depreciated:				
Sewer treatment plant	\$ 10,011	\$ --	\$ --	\$ 10,011
Millbury pumping station	1,665	--	--	1,665
Easements	--	25	--	25
Sewer pipes	307	--	--	307
Machinery, equipment, and furnishings	<u>886</u>	<u>92</u>	<u>--</u>	<u>978</u>
Total Capital Assets, Being Depreciated	<u>12,869</u>	<u>117</u>	<u>--</u>	<u>12,986</u>
Less accumulated depreciation for				
Sewer treatment plant	(4,242)	(250)	--	(4,492)
Millbury pumping station	(849)	(56)	--	(905)
Sewer pipes	(307)	--	--	(307)
Machinery, equipment, and furnishings	<u>(718)</u>	<u>(40)</u>	<u>--</u>	<u>(758)</u>
Total Accumulated Depreciation	<u>(6,116)</u>	<u>(346)</u>	<u>--</u>	<u>(6,462)</u>
Capital Assets, Being Depreciated, Net	<u>6,753</u>	<u>(229)</u>	<u>--</u>	<u>6,524</u>
Capital assets, not being depreciated:				
Construction in progress	<u>167</u>	<u>124</u>	<u>--</u>	<u>291</u>
Total Capital Assets, Noy Being Depreciated	<u>167</u>	<u>124</u>	<u>--</u>	<u>291</u>
Business-Type Activities Capital Assets, Net	<u><u>\$ 6,920</u></u>	<u><u>\$ (105)</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 6,815</u></u>

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 8 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the Town as follows (in thousands):

Governmental Activities	
General government	\$ 64
Public safety	654
Education	1,067
Public works	20
Culture and recreation	2,668
Other	<u>17</u>
Total Governmental Activities	<u>\$ 4,490</u>
Business-Type Activities:	
Sewer	\$ 343
Nonmajor transfer station	<u>3</u>
Total Business-Type Activities	<u>\$ 346</u>

NOTE 9 - DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources represent the consumption of net assets by the Town that apply to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pension and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

NOTE 10 - ACCRUED LIABILITIES

Accrued liabilities represent fiscal year 2023 payroll related expenditures paid in fiscal year 2024.

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 11 - UNEARNED REVENUES

Unearned revenues represent receipt of American Rescue Plan Act (ARPA) funds that will be recognized as revenue in future years. These funds will be used for COVID-19 related expenditures or negative economic impacts of COVID-19.

NOTE 12 - LONG-TERM DEBT

GENERAL OBLIGATION BONDS AND LOANS

The Town issues general obligation bonds and direct borrowings to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and direct borrowings outstanding at June 30, 2023 were as follows:

	Original Issue	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/23
Governmental Activities				
General Obligation Bonds				
Public offerings				
Shaw Land - MPL 2007 - REFUNDED	\$ 1,910,000	06/30/27	1.86%	\$ 855,000
Police Station	8,700,000	06/30/38	2.71%	6,525,000
MS/HS Construction 2011 - REFUNDED	14,975,000	06/30/31	2.24%	9,960,000
MS/HS Construction 2013	5,101,963	06/30/33	2.29%	2,500,000
Total Governmental Activities				<u>\$ 19,840,000</u>
Business-Type Activities				
Loans - Direct Borrowings				
MWPAT - Manchaug Sewer Treatment Plant	\$ 7,408,501	02/01/25	2.00%	<u>\$ 1,074,323</u>
Total Business-Type Activities				<u>\$ 1,074,323</u>

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 12 - LONG-TERM DEBT (CONTINUED)

FUTURE DEBT SERVICE

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2023 were as follows:

Governmental Activities	Bonds - Public Offerings	
	Principal	Interest
2024	\$ 2,175,000	\$ 599,023
2025	2,185,000	497,128
2026	2,200,000	394,844
2027	2,170,000	349,153
2028	1,935,000	301,623
2029-2033	7,000,000	810,350
2034-2038	2,175,000	182,700
	<u>\$ 19,840,000</u>	<u>\$ 3,134,821</u>

Business-Type Activities	Loans - Direct Borrowings	
	Principal	Interest
2024	\$ 532,278	\$ 22,901
2025	542,045	--
	<u>\$ 1,074,323</u>	<u>\$ 22,901</u>

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 12 - LONG-TERM DEBT (CONTINUED)

CHANGES IN LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-Term Portion
Governmental Activities						
Bonds payable						
Public offerings	\$ 22,005	\$ --	\$ (2,165)	\$ 19,840	\$ (2,175)	\$ 17,665
Compensated absences liability	323	78	--	401	(20)	381
Landfill liability	64	--	(16)	48	(16)	32
Net pension liability	16,102	3,577	--	19,679	--	19,679
Net OPEB liability	30,369	--	(9,768)	20,601	--	20,601
	<u>\$ 68,863</u>	<u>\$ 3,655</u>	<u>\$ (11,949)</u>	<u>\$ 60,569</u>	<u>\$ (2,211)</u>	<u>\$ 58,358</u>
Business-Type Activities						
Loans payable (direct borrowings)	\$ 1,587	\$ --	\$ (513)	\$ 1,074	\$ (532)	\$ 542
Compensated absences liability	11	2	--	13	(1)	12
Net pension liability	59	46	--	105	--	105
Net OPEB liability	107	--	(59)	48	--	48
	<u>\$ 1,764</u>	<u>\$ 48</u>	<u>\$ (572)</u>	<u>\$ 1,240</u>	<u>\$ (533)</u>	<u>\$ 707</u>

LONG-TERM DEBT SUPPORTING GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

Bonds and loans issued by the Town for various municipal projects are approved by Town Meeting and repaid with revenues recorded in the General Fund and user fees recorded in the Sewer Fund. All other long-term debt is repaid from the funds that the cost relates to, primarily the General Fund and the Sewer Fund.

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 13 - LANDFILL CLOSURE AND POST CLOSURE CARE COSTS

State and federal laws and regulations require the Town to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure.

The \$48,000 reported as landfill post closure care liability at June 30, 2023 represents the remaining estimated post closure maintenance costs. These amounts are based on what it would cost to perform all post closure care in 2023. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 14 - DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources are the acquisition of net assets by the Town that are apply to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and are more fully described in the corresponding pension and OPEB notes. Deferred inflows related to leases, in accordance with GASB Statement No.87 have been recognized in fiscal year 2023, and are offset with leases receivable. Unavailable revenues are reported in the governmental funds Balance Sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

NOTE 15 – RESTRICTED NET POSITION

The Town's restricted net position at June 30, 2023 was comprised of the following:

Purpose	Governmental Activities
Grants and other statutory restrictions	\$ 5,585,195
Endowment funds:	
Nonexpendable	139,601
Expendable	<u>344,015</u>
	<u>\$ 6,068,811</u>

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 16 - GOVERNMENTAL FUNDS – FUND BALANCES

The Town's fund balances at June 30, 2023 were comprised of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Permanent funds	\$ --	\$ 139,601	\$ 139,601
Total Nonspendable	--	139,601	139,601
Restricted			
Special revenue funds			
School choice	--	371,086	371,086
MHC Survey & Planning	--	402,675	402,675
Manchaug dam gift	--	398,081	398,081
Cable access fees	--	388,594	388,594
School lunch revolving	--	433,955	433,955
Council on aging food pantry donations	--	178,666	178,666
Cable equipment grant	--	116,972	116,972
Other	--	1,357,702	1,357,702
Permanent funds	--	344,015	344,015
Debt service	10,759	--	10,759
Total Restricted	10,759	3,991,746	4,002,505
Committed			
Continuing appropriations			
General government	188,291	--	188,291
Public safety	366,181	--	366,181
Education	716,359	--	716,359
Public works	57,793	--	57,793
Culture and recreation	490,525	--	490,525
Employee benefits	1,107	--	1,107
Capital stabilization*	993,861	--	993,861
Health stabilization*	404,806	--	404,806
Special Education stabilization*	486,434	--	486,434
Compensated absences reserve	140,765	--	140,765
Capital budget	1,653,500	--	1,653,500
Total Committed	5,499,622	--	5,499,622
Assigned			
General government	75,432	--	75,432
Public safety	1,304	--	1,304
Education	16,108	--	16,108
Public works	281,603	--	281,603
Culture and recreation	150,000	--	150,000
Employee benefits	16,515	--	16,515
Total Assigned	540,962	--	540,962
Unassigned			
General Fund	3,823,622	--	3,823,622
General stabilization fund	2,616,871	--	2,616,871
Deficits	--	(115,436)	(115,436)
Total Unassigned	6,440,493	(115,436)	6,325,057
Total Fund Balance	\$ 12,491,836	\$ 4,015,911	\$ 16,507,747

* Massachusetts General Laws Ch. 40 §5B allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires two-thirds vote of the legislative body 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.

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 17 – WORCHESTER REGIONAL RETIREMENT SYSTEM

The Town follows the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27, with respect to employees' retirement funds.

PLAN DESCRIPTION

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Worcester Regional Contributory Retirement System (the System), a cost-sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publicly available from the System located at 23 Midstate Drive, Suite 106 Midstate Office Park, Auburn, MA 01501.

Participant Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired on or after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

For those members entering the System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 17 - WORCHESTER REGIONAL RETIREMENT SYSTEM (CONTINUED)

PLAN DESCRIPTION (CONTINUED)

Participant Retirement Benefits

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest 5-year average annual rate of regular compensation for those first becoming members of the System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100%, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

There are four classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other three classes are as follows:

- Group 1 - General employees, including clerical, administrative, technical, and all other employees not otherwise classified.
- Group 2 - Certain specified hazardous duty positions.
- Group 4 - Police officers, firefighters, and other specified hazardous positions.

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 17 - WORCHESTER REGIONAL RETIREMENT SYSTEM (CONTINUED)

PLAN DESCRIPTION (CONTINUED)

Participant Retirement Benefits (Continued)

perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively.

Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

Methods of Payment

A member may elect to receive his or her retirement allowance in one of three forms of payment as follows:

- Option A - Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.
- Option B - A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member—provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.
- Option C - A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up" to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 17 - WORCHESTER REGIONAL RETIREMENT SYSTEM (CONTINUED)

PLAN DESCRIPTION (CONTINUED)

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions.

Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The Town's contribution to the System for the year ended June 30, 2023 was \$1,564,366 which was equal to its annual required contribution.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 System and additions to/deductions from System's fiduciary net position have been determined on the same basis as they are reported by System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2023, the Town reported a liability of \$19,783,737 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. 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 employers, actuarially determined. At June 30, 2023, the Town's proportion was 1.923968%, which was an increase of .004562% from its proportion measured as of June 30, 2022.

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 17 - WORCHESTER REGIONAL RETIREMENT SYSTEM (CONTINUED)

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (CONTINUED)

For the year ended June 30, 2023, the Town recognized pension expense of \$2,176,775.

At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ --	\$ 605,433
Changes of assumptions	1,048,391	--
Net difference between projected and actual earnings on pension plan investments	1,335,111	--
Net changes in proportion and differences between contributions and proportionate share of contributions	151,806	203,693
	<u>\$ 2,535,308</u>	<u>\$ 809,126</u>

Amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized as an increase (decrease) in pension expense as follows:

Year Ending June 30,	Amount
2024	\$ 166,947
2025	388,434
2026	428,185
2027	782,112
2028	<u>(39,496)</u>
	<u>\$ 1,726,182</u>

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 17 - WORCHESTER REGIONAL RETIREMENT SYSTEM (CONTINUED)

ACTUARIAL ASSUMPTIONS

The total pension liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	January 1, 2022
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	7.25% net of pension plan investment expense, including inflation
Projected salary increases	Group 1: 6% - 4.25%, based on service Group 2: 7% - 4.75%, based on service
Inflation rate	2.4% per year
Post-retirement cost-of-living adjustment	3% of the first \$16,000
Remaining amortization period	14 years

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2020. For disabled lives, the mortality rates were based on the RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2020.

The actuarial assumptions used in the January 1, 2022 valuation were based on the results of the most recent actuarial experience study.

TARGET ALLOCATIONS

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation.

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 17 - WORCHESTER REGIONAL RETIREMENT SYSTEM (CONTINUED)

TARGET ALLOCATIONS (CONTINUED)

The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Global equity	37.00%	4.22%
Fixed income	23.00%	0.70%
Private equity	16.00%	7.70%
Real estate	10.00%	3.60%
Timber/natural resources	4.00%	4.20%
Portfolio completion strategies	<u>10.00%</u>	3.00%
	<u>100.00%</u>	

DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive 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.

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 17 - WORCHESTER REGIONAL RETIREMENT SYSTEM (CONTINUED)

SENSITIVITY OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
\$ 24,141,489	\$ 19,783,737	\$ 16,099,535

PENSION PLAN FIDUCIARY NET POSITION

Detailed information about the pension plan's fiduciary net position is available in the System's separately issued financial report.

NOTE 18 - MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM (MTRS)

PLAN DESCRIPTION

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth of Massachusetts on behalf of municipal teachers and municipal teacher retirees. The Commonwealth of Massachusetts is a nonemployer contributing entity and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is part of the Commonwealth of Massachusetts' reporting entity and does not issue a stand-alone audited financial report.

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 18 - MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM (MTRS) (CONTINUED)

PLAN DESCRIPTION (CONTINUED)

Management of MTRS is vested in the Massachusetts Teachers' Retirement Board (MTRB), which consists of seven members two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves ex-officio as the Chairman of the MTRB.

BENEFITS PROVIDED

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last 5 years or any 5 consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of creditable service or upon reaching the age of 55 with 10 years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

The MTRS' funding policies have been established by Chapter 32 of MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 18 - MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM (MTRS) (CONTINUED)

CONTRIBUTIONS

Member contributions for MTRS vary depending on the most recent date of membership:

Membership Date	% of Compensation
Prior to 1975	5% of regular compensation
1975 to 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation in excess of \$30,000

In addition, members who join MTRS on or after April 2, 2012 will have their withholding rates reduced to 8% for those participating in retirement, otherwise the withholdings are reduced to 6% plus 2% on earnings over \$30,000 a year after achieving 30 years of creditable service.

ACTUARIAL ASSUMPTIONS

The net pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of January 1, 2022. This valuation used the following assumptions:

- 7.00% (changed from 7.15%) investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality through January 1, 2017.
- Mortality rates were as follows:
 - Pre-retirement - reflects Pub-2010 Teacher Employees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
 - Post-retirement - reflects Pub-2010 Teacher Retirees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
 - Disability - assumed to be in accordance with the Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 18 - MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM (MTRS) (CONTINUED)

TARGET ALLOCATIONS

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage.

Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	38.00%	4.20%
Core fixed income	15.00%	0.50%
Private equity	15.00%	7.30%
Portfolio completion strategies	10.00%	2.70%
Real estate	10.00%	3.30%
Value added fixed income	8.00%	3.70%
Timber/natural resources	<u>4.00%</u>	3.90%
	<u>100.00%</u>	

DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth of Massachusetts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the 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.

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 18 - MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM (MTRS) (CONTINUED)

SENSITIVITY ANALYSIS

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate (amounts in thousands):

1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
\$ 32,734,080	\$ 25,888,138	\$ 20,094,302

SPECIAL FUNDING SITUATION

The Commonwealth of Massachusetts is a nonemployer contributing entity and is required by statute to make all actuarial determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) and the Commonwealth of Massachusetts is a nonemployer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

TOWN PROPORTIONS

In fiscal year 2022 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability was \$36,196,763 based on a proportionate share of 0.139820%. As required by GASB 68, the Town has recognized its portion of the Commonwealth of Massachusetts' contribution of \$2,942,655 as both a revenue and expenditure on the Statement of Revenues, Expenditures, and Changes in Fund Balance, and its portion of the collective pension expense of \$2,977,537 as both a revenue and expense on the Statement of Activities.

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 19 - OTHER POST-EMPLOYMENT BENEFITS (GASB 74 AND GASB 75)

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2012, the Town established a single employer defined benefit OPEB Trust Fund to provide funding for future employee health care costs. The OPEB Trust Fund does not issue a stand-alone financial report.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All the following OPEB disclosures are based on a measurement date of June 30, 2023.

GENERAL INFORMATION ABOUT THE OPEB PLAN

Plan Description

The Town provides post-employment healthcare benefits for retired employees through the Town's plan. The Town provides health insurance coverage through FCC Healthcare. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of Massachusetts General Laws.

Benefits Provided

The Town provides medical and prescription drug insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 19 - OTHER POST-EMPLOYMENT BENEFITS (GASB 74 AND GASB 75) (CONTINUED)

GENERAL INFORMATION ABOUT THE OPEB PLAN (CONTINUED)

Funding Policy

The Town's funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute. The Town's funding policy also includes the following:

- 1) The Town will annually appropriate a minimum of \$100,000 and appropriate an amount deemed appropriate for the sewer enterprise fund and the transfer station enterprise fund.
- 2) The Town will transfer at the fall Annual Town Meeting a percentage of free cash certified at the end of the prior fiscal year based upon the following schedule:
 - 10% when free cash exceeds \$2,000,000.
 - 5% when free cash exceeds \$1,000,000 but less than \$2,000,000.
 - 0 % when free cash is less than \$1,000,000.
- 3) The Town will appropriate an amount equal to the past service cost (Unfunded Liability) associated with the Worcester Regional Retirement System (WRRS), beginning in the year that the Town's past service cost portion of its annual assessment is satisfied. As of 2022, the WRRS expects to be fully funded by the year 2036.

Plan Membership

At June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	171
Active employees	277
	<hr/>
	448
	<hr/>

INVESTMENTS

The OPEB Trust Fund's assets at June 30, 2023 consisted of equity securities, equity mutual and fixed income mutual funds, and corporate equities.

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 19 - OTHER POST-EMPLOYMENT BENEFITS (GASB 74 AND GASB 75) (CONTINUED)

GENERAL INFORMATION ABOUT THE OPEB PLAN (CONTINUED)

INVESTMENTS (CONTINUED)

Rate of Return

For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 9.62%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

ACTUARIAL ASSUMPTIONS AND OTHER INPUTS

The net OPEB liability was determined by an actuarial valuation as of July 1, 2022. The actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.00%, average, including inflation
Investment rate of return	6.05%, net of OPEB plan investment expense
Municipal bond rate	4.13%
Discount rate	6.00%, previously 3.83%
Healthcare cost trend rates	7.50% for 2022, fluctuating .40% per year to 5.70%, then grading down to an ultimate trend rate of 3.90% as of 2075 and later years
Participation rate	80% of eligible retired employees will elect to participate.
Funding assumption	The Town will transfer at the fall Annual Town Meeting a percentage of free cash certified at the end of the prior fiscal year until the pension is fully funded at which point the Town will appropriate an amount equal to the past service cost (Unfunded Liability) associated with the Worcester Regional Retirement System (WRRS).

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 19 - OTHER POST-EMPLOYMENT BENEFITS (GASB 74 AND GASB 75) (CONTINUED)

ACTUARIAL ASSUMPTIONS AND OTHER INPUTS (CONTINUED)

Mortality rates were based on the following:

Pre-retirement Mortality - General and Public Safety employees	RP-2014 Blue Collar, projected with generational mortality improvement using scale MP-2016.
Post-retirement Mortality - General and Public Safety employees	RP-2014 White Collar, projected with generational mortality improvement using scale MP-2016.
Pre-retirement Mortality - Teachers	PUB-2010 Teachers Headcount-Weighted Employee Mortality Table. Base year 2010, projected with generational mortality using Scale MP-2016.
Post-retirement Mortality - Teachers	PUB-2010 Teachers Headcount-Weighted Employee Mortality Table. Base year 2010, projected with generational mortality using Scale MP-2016.

TARGET ALLOCATIONS

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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.

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 19 - OTHER POST-EMPLOYMENT BENEFITS (GASB 74 AND GASB 75) (CONTINUED)

TARGET ALLOCATIONS (CONTINUED)

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2023 are summarized in the following table.

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Domestic equity	43.00%	8.65%
Domestic bond	19.50%	1.05%
International equity	20.75%	10.09%
Alternative	8.75%	5.95%
International bond	4.75%	0.96%
Cash and equivalents	<u>3.25%</u>	6.25%
	<u>100.00%</u>	

DISCOUNT RATE

The discount rate used to measure the net OPEB liability was 6.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. As a result, a blended discount rate was used based on a combination of the investment rate of return of 6.05% and municipal bond rate of 4.13% (based on index provided by the Bond Buyer 20-Bond GO Index published on June 30, 2023).

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 19 - OTHER POST-EMPLOYMENT BENEFITS (GASB 74 AND GASB 75) (CONTINUED)

NET OPEB LIABILITY

The components of the net OPEB liability, measured as of June 30, 2023, were as follows:

Total OPEB liability	\$ 24,935,301
Plan fiduciary net position	<u>4,348,659</u>
Net OPEB Liability	<u><u>\$ 20,586,642</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	17.44%

CHANGES IN THE NET OPEB LIABILITY

The following summarizes the changes in the net OPEB liability for the past year:

	Increase (Decrease)		
	Plan		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, Beginning of Year	<u>\$ 33,512,348</u>	<u>\$ 3,041,231</u>	<u>\$ 30,471,117</u>
Changes for the year			
Service cost	1,485,623	--	1,485,623
Interest	1,321,478	--	1,321,478
Contributions - employer	--	1,851,426	(1,851,426)
Net investment income	--	352,428	(352,428)
Differences between expected and actual experience	(79,768)	--	(79,768)
Changes in assumptions	(10,407,954)	--	(10,407,954)
Benefit payments	<u>(896,426)</u>	<u>(896,426)</u>	<u>--</u>
Net Changes	<u>(8,577,047)</u>	<u>1,307,428</u>	<u>(9,884,475)</u>
Balances, End of Year	<u><u>\$ 24,935,301</u></u>	<u><u>\$ 4,348,659</u></u>	<u><u>\$ 20,586,642</u></u>

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 19 - OTHER POST-EMPLOYMENT BENEFITS (GASB 74 AND GASB 75) (CONTINUED)

CHANGES IN THE NET OPEB LIABILITY (CONTINUED)

Changes of assumptions and other inputs reflect a change in the discount rate from 3.83% in fiscal year 2022 to 6.00% in fiscal year 2023.

Changes in benefit terms reflects a change in the Town's medical plans. The Town no longer offers the Fallon medical plans and has adopted a new set of both active (non-Medicare) and Medicare supplemental plans for members to elect. All other benefit terms are the same as those used in the prior measurement.

SENSITIVITY OF THE NET OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

1% Decrease (5.00%)	Discount Rate (6.00%)	1% Increase (7.00%)
\$ 24,439,871	\$ 20,586,642	\$ 17,503,027

SENSITIVITY OF THE NET OPEB LIABILITY TO CHANGES IN THE HEALTHCARE COST TREND RATES

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

1% Decrease (6.50%)	Current Healthcare Cost Trend Rates (7.50%)	1% Increase (8.50%)
\$ 17,109,590	\$ 20,586,642	\$ 24,962,237

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 19 - OTHER POST-EMPLOYMENT BENEFITS (GASB 74 AND GASB 75) (CONTINUED)

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 \$1,188,520. At June 30, 2023, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,792,906	\$ 4,153,015
Changes in assumptions	9,611,373	22,163,437
Net difference between projected and actual earnings on OPEB investments	<u>144,630</u>	<u>--</u>
	<u>\$ 12,548,909</u>	<u>\$ 26,316,452</u>

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

Year Ending June 30,	Amount
2024	\$ (1,293,276)
2025	(1,311,501)
2026	(1,601,033)
2027	(2,487,937)
2028	(3,719,428)
Thereafter	<u>(3,354,368)</u>
	<u>\$ (13,767,543)</u>

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 20 - COMMITMENTS AND CONTINGENCIES

OUTSTANDING LEGAL ISSUES

There are pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

GRANTS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

NOTE 21 - SUBSEQUENT EVENTS

Management has evaluated events through March 1, 2024, which is the date of the financial statements were available to be issued.

TOWN OF SUTTON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES (USES) – BUDGET AND ACTUAL

(Unaudited)

FOR THE YEAR ENDED JUNE 30, 2023

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 27,441,412	\$ 27,441,412	\$ 27,462,340	\$ 20,928
Excise taxes	1,890,465	2,029,109	2,160,394	131,285
Penalties, interest, and other taxes	90,000	90,000	95,505	5,505
Charges for services	57,811	657,811	1,967,821	1,310,010
Intergovernmental	6,770,478	6,807,511	6,897,698	90,187
Licenses and permits	20,000	420,000	680,238	260,238
Fines and forfeitures	46,000	46,000	37,072	(8,928)
Investment income	10,000	10,000	190,031	180,031
Miscellaneous	100,000	100,000	238,324	138,324
Total Revenues	<u>36,426,166</u>	<u>37,601,843</u>	<u>39,729,423</u>	<u>2,127,580</u>
Expenditures				
General government	1,946,518	2,298,108	2,223,371	74,737
Public safety	3,485,863	3,758,859	3,638,869	119,990
Education	20,742,000	21,548,600	21,528,967	19,633
Public works	1,406,551	2,231,317	2,194,700	36,617
Health and human services	388,342	373,342	318,264	55,078
Culture and recreation	283,313	934,548	918,709	15,839
Employee benefits	5,566,366	6,426,366	6,152,944	273,422
Miscellaneous	77,580	105,538	--	105,538
Debt service	3,371,551	3,371,551	3,371,551	--
Intergovernmental	235,243	235,243	323,042	(87,799)
Total Expenditures	<u>37,503,327</u>	<u>41,283,472</u>	<u>40,670,417</u>	<u>613,055</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,077,161)</u>	<u>(3,681,629)</u>	<u>(940,994)</u>	<u>2,740,635</u>
Other Financing Sources (Uses)				
Transfers in	371,102	761,438	761,438	--
Transfers out	(687,941)	(853,037)	(853,037)	--
Use of free cash:				
Operating budget	--	146,396	146,396	--
Capital budget	1,394,000	1,411,000	1,411,000	--
Transfer to stabilization fund	--	150,000	150,000	--
OPEB trust fund contribution	--	350,000	350,000	--
Use of prior year carryforwards	--	1,715,832	1,715,832	--
Total Other Financing Sources (Uses)	<u>1,077,161</u>	<u>3,681,629</u>	<u>3,681,629</u>	<u>--</u>
Overall Budgetary Excess	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 2,740,635</u>	<u>\$ 2,740,635</u>

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

TOWN OF SUTTON, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR GENERAL FUND BUDGET

FOR THE YEAR ENDED JUNE 30, 2023

BUDGETARY BASIS

The General Fund final appropriation appearing on the previous page represents the final amended budget after all reserve fund transfers and supplemental appropriations.

BUDGET/GAAP RECONCILIATION

The budgetary data for the General Fund is based upon accounting principles that differ from GAAP. Therefore, in addition to the GAAP basis financial statements, the results of operations of the General Fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues, expenditures, and other financing sources (uses), to conform to the budgetary basis of accounting.

General Fund	Revenues	Expenditures	Other Financing Sources (Uses)	Totals
GAAP Basis	\$ 42,746,676	\$ 40,639,384	\$ (519,270)	\$ 1,588,022
Remove effect of combining stabilization and General Fund	(73,947)	--	(191,432)	(265,379)
Reverse beginning of year appropriation carryforwards from expenditures	--	--	1,715,832	1,715,832
Add end-of-year appropriation carryforwards to expenditures	--	2,357,776	--	(2,357,776)
To record use of free cash	--	--	2,057,396	2,057,396
To reverse the effect of non-budgeted State contributions	(2,942,655)	(2,942,655)	--	--
Overhead cost reclassification	--	111,739	111,739	--
Enterprise debt service reclassification	--	504,173	504,173	--
Other	(651)	--	3,191	2,540
Budgetary Basis	<u>\$ 39,729,423</u>	<u>\$ 40,670,417</u>	<u>\$ 3,681,629</u>	<u>\$ 2,740,635</u>

See independent auditors' report.

TOWN OF SUTTON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (Unaudited)

Worcester Regional Retirement System									
Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll			Plan Fiduciary Net Position Percentage of the Total Pension Liability	
June 30, 2023	December 31, 2022	1.923968%	\$ 19,783,737	\$ 7,529,401	262.75%			48.20%	
June 30, 2022	December 31, 2021	1.919406%	16,161,656	7,423,699	217.70%			56.20%	
June 30, 2021	December 31, 2020	1.954195%	17,361,071	7,204,520	240.97%			50.30%	
June 30, 2020	December 31, 2019	1.945414%	17,316,713	6,599,368	262.40%			47.36%	
June 30, 2019	December 31, 2018	1.916089%	17,374,370	5,925,505	293.21%			43.05%	
June 30, 2018	December 31, 2017	1.910470%	15,578,505	6,087,190	255.92%			46.40%	
June 30, 2017	December 31, 2016	1.890000%	15,808,187	6,249,073	252.97%			42.00%	
June 30, 2016	December 31, 2015	1.880000%	13,378,396	6,062,691	220.67%			44.52%	
June 30, 2015	December 31, 2014	2.160000%	12,865,839	5,829,511	220.70%			47.90%	
Massachusetts Teachers' Retirement System									
Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town	Total Net Pension Liability Associated with the Town	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability	
June 30, 2023	June 30, 2022	0.139820%	\$ --	\$ 36,196,763	\$ 36,196,763	\$ 11,508,601	0.00%	57.75%	
June 30, 2022	June 30, 2021	0.138690%	--	31,492,162	31,492,162	10,756,780	0.00%	62.03%	
June 30, 2021	June 30, 2020	0.140203%	--	40,020,733	40,020,733	10,622,855	0.00%	50.67%	
June 30, 2020	June 30, 2019	0.139075%	--	35,066,524	35,066,524	10,120,694	0.00%	53.95%	
June 30, 2019	June 30, 2018	0.136414%	--	32,345,458	32,345,458	9,580,172	0.00%	54.84%	
June 30, 2018	June 30, 2017	0.141964%	--	32,489,014	32,489,014	9,640,020	0.00%	54.25%	
June 30, 2017	June 30, 2016	0.143686%	--	32,125,185	32,125,185	9,451,169	0.00%	52.73%	
June 30, 2016	June 30, 2015	0.148094%	--	30,343,834	30,343,834	9,387,513	0.00%	55.38%	
June 30, 2015	June 30, 2014	0.150380%	--	23,905,002	23,905,002	9,340,394	0.00%	61.64%	

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See independent auditors' report.

TOWN OF SUTTON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF PENSION CONTRIBUTIONS

(Unaudited)

Worcester Regional Retirement System							
Fiscal Year	Measurement Date	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll	
June 30, 2023	December 31, 2022	\$ 1,564,366	\$ 1,564,366	\$ --	\$ 7,670,371	20.39%	
June 30, 2022	December 31, 2021	1,419,336	1,419,336	--	7,534,975	18.84%	
June 30, 2021	December 31, 2020	1,314,568	1,314,568	--	7,204,520	18.25%	
June 30, 2020	December 31, 2019	1,184,523	1,184,523	--	6,599,368	17.95%	
June 30, 2019	December 31, 2018	1,066,773	1,066,773	--	5,925,505	18.00%	
June 30, 2018	December 31, 2017	966,685	966,685	--	6,087,190	15.88%	
June 30, 2017	December 31, 2016	916,769	916,769	--	6,249,073	14.67%	
June 30, 2016	December 31, 2015	847,894	847,894	--	6,062,691	13.99%	
June 30, 2015	December 31, 2014	854,433	854,433	--	5,829,511	14.66%	
Massachusetts Teachers' Retirement System							
Fiscal Year	Measurement Date	Actuarially Determined Contribution Provided by Commonwealth	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll	
June 30, 2023	June 30, 2022	\$ 2,942,655	\$ 2,942,655	\$ --	\$ 11,508,601	25.57%	
June 30, 2022	June 30, 2021	2,424,971	2,424,971	--	10,756,780	22.54%	
June 30, 2021	June 30, 2020	2,177,960	2,177,960	--	10,622,855	20.50%	
June 30, 2020	June 30, 2019	2,007,847	2,007,847	--	9,580,172	20.96%	
June 30, 2019	June 30, 2018	1,793,545	1,793,545	--	9,580,172	18.72%	
June 30, 2018	June 30, 2017	1,753,986	1,753,986	--	9,640,020	18.19%	
June 30, 2017	June 30, 2016	1,615,867	1,615,867	--	9,451,169	17.10%	
June 30, 2016	June 30, 2015	1,513,412	1,513,412	--	9,387,513	16.12%	
June 30, 2015	June 30, 2014	1,409,635	1,409,635	--	9,340,394	15.09%	

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See independent auditors' report.

TOWN OF SUTTON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET OPEB LIABILITY (Unaudited)

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost	\$ 1,485,623	\$ 3,158,617	\$ 3,008,122	\$ 2,049,058	\$ 1,795,563	\$ 1,240,103
Interest	1,321,478	1,487,016	1,399,918	1,630,491	1,568,727	912,968
Changes of benefit terms	--	(13,018,781)	--	(738,178)	--	574,690
Differences between expected and actual experience	(79,768)	(4,534,720)	--	(1,295,660)	--	9,140,420
Changes of assumptions	(10,407,954)	(17,666,962)	748,063	15,225,259	2,806,296	(424,468)
Benefit payments, including refunds of member contributions	(896,426)	(691,642)	(857,026)	(802,472)	(789,796)	(682,954)
Net Change in Total OPEB Liability	(8,577,047)	(31,266,472)	4,299,077	16,068,498	5,380,790	10,760,759
Total OPEB Liability -Beginning	33,512,348	64,778,820	60,479,743	44,411,245	39,030,455	28,269,696
Total OPEB Liability - Ending (a)	24,935,301	33,512,348	64,778,820	60,479,743	44,411,245	39,030,455
Plan Fiduciary Net Position						
Contributions - employer	1,851,426	1,191,642	1,352,026	1,222,472	1,176,796	837,954
Contributions - employee	--	1,030	--	--	--	--
Net investment income	352,428	(414,272)	503,487	43,560	81,047	48,262
Benefit payments, including refunds of member contributions	(896,426)	(691,642)	(857,026)	(802,472)	(789,796)	(682,954)
Net Change in Plan Fiduciary Net Position	1,307,428	86,758	998,487	463,560	468,047	203,262
Plan Fiduciary Net Position - Beginning	3,041,231	2,954,473	1,955,986	1,492,426	1,024,379	821,117
Plan Fiduciary Net Position - Ending (b)	4,348,659	3,041,231	2,954,473	1,955,986	1,492,426	1,024,379
Net OPEB Liability (Asset) - Ending (a-b)	\$ 20,586,642	\$ 30,471,117	\$ 61,824,347	\$ 58,523,757	\$ 42,918,819	\$ 38,006,076

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See independent auditors' report.

TOWN OF SUTTON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF NET OPEB LIABILITY, CONTRIBUTIONS, AND INVESTMENT RETURNS (Unaudited)

	2023	2022	2021	2020	2019	2018
Schedule of Net OPEB Liability						
Total OPEB liability	\$ 24,935,301	\$ 33,512,348	\$ 64,778,820	\$ 60,479,743	\$ 44,411,245	\$ 39,030,455
Plan fiduciary net position	<u>4,348,659</u>	<u>3,041,231</u>	<u>2,954,473</u>	<u>1,955,986</u>	<u>1,492,426</u>	<u>1,024,379</u>
Net OPEB Liability (Asset)	<u>\$ 20,586,642</u>	<u>\$ 30,471,117</u>	<u>\$ 61,824,347</u>	<u>\$ 58,523,757</u>	<u>\$ 42,918,819</u>	<u>\$ 38,006,076</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	17.44%	9.07%	4.56%	3.23%	3.36%	2.62%
Covered Employee Payroll	\$ 20,559,860	\$ 19,161,251	\$ 18,589,002	\$ 17,281,206	\$ 16,725,712	\$ 16,130,529
Net OPEB Liability as a Percentage of Covered Employee Payroll	100.13%	159.02%	332.59%	338.66%	256.60%	235.62%
	2023	2022	2020	2019	2018	2017
Schedule of Contributions						
Actuarially determined contribution*	\$ 2,394,397	\$ 4,971,127	\$ 4,730,214	\$ 3,611,307	\$ 3,350,026	\$ 2,239,805
Contributions in relation to the actuarially determined contribution	<u>1,751,104</u>	<u>1,191,642</u>	<u>1,352,026</u>	<u>1,222,472</u>	<u>1,176,796</u>	<u>837,954</u>
Contribution Deficiency (Excess)	<u>\$ 643,293</u>	<u>\$ 3,779,485</u>	<u>\$ 3,378,188</u>	<u>\$ 2,388,835</u>	<u>\$ 2,173,230</u>	<u>\$ 1,401,851</u>
Covered Employee Payroll	\$ 20,559,860	\$ 19,161,251	\$ 18,589,002	\$ 17,281,206	\$ 16,725,712	\$ 16,130,529
Contributions as a Percentage of Covered Employee Payroll	8.52%	6.22%	7.27%	7.07%	7.04%	5.19%
	2023	2022	2020	2019	2018	2017
Schedule of Investment Returns						
Annual money weighted rate of return, net of investment expense	9.62%	-13.46%	25.16%	2.42%	6.25%	5.15%

* Based on a 30-year amortization period.

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See independent auditors' report.

**INDEPENDENT AUDITORS' 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***

To the Select Board
Town of Sutton, 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 Sutton, 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 March 1, 2024.

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 the 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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

Andover, MA
March 1, 2024