

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF DIGHTON, MASSACHUSETTS

Report on Examination of the
Basic Financial Statements
and Additional Information Year
Ended June 30, 2022



TOWN OF DIGHTON, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Selectmen
Town of Dighton, Massachusetts

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Dighton, Massachusetts, (the "Town") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town as of June 30, 2022 and the respective changes in financial position, and where applicable, the cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always

detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

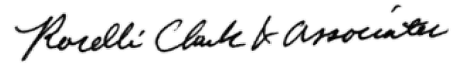
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of the Town's proportionate share of net pension liability and the Town's contributions to pension plan, and budgetary comparison information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers 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.



Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
March 6, 2023

Management's Discussion and Analysis

As the management of the Town of Dighton, Massachusetts (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2022.

Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by over \$16.0 million (*total net position*).
- The Town's total net position increased by over \$4.9 million, year to year. Governmental activities increased approximately \$4.2 million while business-type activities increased over \$0.7 million.
- As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance of over \$10.1 million, an increase of nearly \$1.8 million over the prior year.
- The Town's total long-term debt decreased by over \$0.2 million to over \$3.8 million due to regular scheduled maturities.

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of the Town's assets, liabilities and deferred inflows/outflows of resources, with the end result reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and various employee and retiree benefits.)

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

The governmental activities of the Town include general government, public safety, highways and streets, sanitation, education, health and human services, culture and recreation, fringe benefits, and debt service.

The business-type activities of the Town include the sewer enterprise fund.

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

Accounting guidelines distinguish fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications:

- Nonspendable – amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact
- Restricted – amounts constrained by external parties, constitutional provision, or enabling legislation
- Committed – amounts constrained by a government using its highest level of decision-making authority
- Assigned – amounts a government intends to use for a particular purpose
- Unassigned – amounts that are not constrained at all will be reported in the General Fund or in other major funds if negative

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliations are provided in the basic financial statements to help the reader understand the differences, as indicated within the table of contents.

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Ambulance Fund, and ARPA which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

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

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

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information – In addition, this report also presents certain required supplementary information concerning the Town’s proportionate share of the net pension liability and contributions to its pension plan, the Town’s progress in funding its obligation to provide other postemployment benefits to its employees, as well as the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund and notes to this schedule.

Government-wide Financial Analysis

The following represents the condensed statement of net position:

	Governmental activities		Business-type activities		Total	
	June 30,		June 30,		June 30,	
	2022	2021	2022	2021	2022	2021
<u>Assets</u>						
Current and other assets	\$ 14,568,342	\$ 12,540,202	\$ 613,746	\$ 539,349	\$ 15,182,088	\$ 13,079,551
Capital assets, net	18,590,385	15,401,074	2,363,046	1,688,637	20,953,431	17,089,711
Total assets	33,158,727	27,941,276	2,976,792	2,227,986	36,135,519	30,169,262
Deferred outflows of resources	4,576,406	3,369,606	-	-	4,576,406	3,369,606
<u>Liabilities</u>						
Long-term liabilities	20,214,806	18,362,254	16,488	16,546	20,231,294	18,378,800
Other liabilities	1,808,759	1,610,517	12,033	11,747	1,820,792	1,622,264
Total liabilities	22,023,565	19,972,771	28,521	28,293	22,052,086	20,001,064
Deferred inflows of resources	2,639,039	2,446,308	-	-	2,639,039	2,446,308
<u>Net Position</u>						
Net investment in capital assets	14,157,631	11,459,632	2,363,046	1,688,637	16,520,677	13,148,269
Restricted	3,302,430	2,790,749	-	-	3,302,430	2,790,749
Unrestricted	(4,387,532)	(5,358,578)	585,225	511,056	(3,802,307)	(4,847,522)
Net Position	\$ 13,072,529	\$ 8,891,803	\$ 2,948,271	\$ 2,199,693	\$ 16,020,800	\$ 11,091,496

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by over \$16.0 million (*total net position*). This reflects an increase from the preceding year of over \$4.9 million. Governmental activities increased approximately \$4.2 million while business-type activities increased over \$0.7 million.

By far the largest portion (over \$16.5 million) of the Town’s overall net position reflects its net investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town’s investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional significant portion of the Town's total net position (about \$3.3 million) represents resources that are subject to external restrictions on how they may be used.

The deficit balance of over \$3.8 million in *unrestricted net position* is in large part a result of the Town recording its net pension liability and other postemployment benefits liability that were significant. These are expected to increase in the foreseeable future until the Town's annual contributions more closely approximate required annual funding.

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

	Governmental activities		Business activities		Total	
	June 30,		June 30,		June 30,	
	2022	2021	2022	2021	2022	2021
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 3,230,722	\$ 1,828,172	\$ 350,524	\$ 349,327	\$ 3,581,246	\$ 2,177,499
Operating grants and contributions	1,344,647	392,231	-	-	1,344,647	392,231
Capital grants and contributions	1,947,440	956,008	754,000	-	2,701,440	956,008
General revenues:						
Property taxes	19,875,925	18,587,723	-	-	19,875,925	18,587,723
Grants and contributions not restricted to specific programs	854,724	825,571	-	-	854,724	825,571
Other	1,849,722	1,642,278	306	1,926	1,850,028	1,644,204
Total revenues	29,103,180	24,231,983	1,104,830	351,253	30,208,010	24,583,236
<u>Expenses</u>						
General government	2,680,791	2,446,920	-	-	2,680,791	2,446,920
Public safety	6,216,611	5,498,266	-	-	6,216,611	5,498,266
Education	12,276,365	11,912,687	-	-	12,276,365	11,912,687
Public works	2,474,982	2,258,349	-	-	2,474,982	2,258,349
Health and human services	651,024	578,488	-	-	651,024	578,488
Culture and recreation	483,987	504,927	-	-	483,987	504,927
Interest expense	128,636	139,084	-	-	128,636	139,084
Sewer	-	-	366,310	396,819	366,310	396,819
Total expenses	24,912,396	23,338,721	366,310	396,819	25,278,706	23,735,540
Change in net position before transfers	4,190,784	893,262	738,520	(45,566)	4,929,304	847,696
Transfers	(10,058)	-	10,058	-	-	-
Change in net position	4,180,726	893,262	748,578	(45,566)	4,929,304	847,696
Net position, beginning of year	8,891,803	8,262,603	2,199,693	2,245,259	11,091,496	10,507,862
Restatement for net OPEB liability	-	(264,062)	-	-	-	(264,062)
Net position, beginning of year, as restated	8,891,803	7,998,541	2,199,693	2,245,259	11,091,496	10,243,800
Net position, end of year	<u>\$ 13,072,529</u>	<u>\$ 8,891,803</u>	<u>\$ 2,948,271</u>	<u>\$ 2,199,693</u>	<u>\$ 16,020,800</u>	<u>\$ 11,091,496</u>

Governmental Activities – During 2022, Town property taxes made up approximately 68.3% of total revenues. The Town experienced an increase in the amount of taxes levied which was consistent with the amount raised in the annual tax rate setting process. Under Massachusetts General Laws communities are allowed to increase taxes by 2 ½% plus new growth and tax exclusions. The Town chose not to tax to this limit.

Charges for services represented 11% of total revenues. The increase over prior year is due to over \$1.2 million received from the regional school district for over assessments.

No other revenues were greater than 10% of total revenues in 2022 or 2021 and there were no significant increases or decreases in any individual revenue category, thus total revenues were fairly consistent.

The Town continues to commit significant resources towards education as 49.3% of total expenditures are related to this critical activity. All expenses are paid to the three regional school districts that service the Town. Amounts assessed were fairly consistent with the prior year after taking into account cost of living increases.

Public Safety, General Government and Public Works expenses were consistent with the prior year at 25.0%, 10.8%, and 9.9% of total expenses, respectively. Operations in these areas were fairly static.

All other expenses were either smaller in amount or did not fluctuate from year to year.

Business-type Activities – Major revenue sources consist of revenue from users which represented 31.7 and 99.5% of total revenues in both 2022 and 2021, respectively. The decrease in overall user charges percentage was due to the sewer fund recognizing over \$0.7 million of capital grant and contribution revenue in fiscal year 2022. The remaining revenue represents mostly amounts received from investment income sources.

Financial Analysis of the Government's Funds

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

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

As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of over \$10.1 million. This represents an increase of approximately \$1.8 million over the previous year. Of the ending fund balance approximately \$5.9 million is *available for spending* at the government's discretion as *unassigned fund balance*. The remainder is earmarked for specific expenditures.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was approximately \$6.0 million, while the total fund balance in the General Fund reached approximately \$7.0 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 24.8% of total General Fund expenditures, while total fund balance represents approximately 29.0% of that same amount.

The Town's Ambulance Fund, which is presented as a major governmental fund, has a restricted ending fund balance of approximately \$0.8 million, which was consistent with the prior year.

The Town's ARPA Fund, which is presented as a major governmental fund has received about \$0.7 million from Federal Government. Almost all of this is reflected as unearned revenue as it has not met any revenue eligibility requirements as of year end.

The Town's aggregate nonmajor funds amount to over \$2.4 million and include the Town's Special Revenue, Capital Projects and Trust funds.

Proprietary Funds – The Town’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the year, net position of the sewer fund was over \$2.9 million.

Fiduciary Funds – The Town has elected to establish a trust under Chapter 32B Section 20 of the MGL whose sole purpose will be to accumulate funds to reduce the Town’s unfunded Other Postemployment Benefits. This fund makes up the largest portion of the Town’s fiduciary funds and decreased by over \$0.1 million to \$1.6 million due to contributions made by the Town being netted by premiums paid for retirees and investment losses.

General Fund Budgetary Highlights

Differences between the original and the final amended budget were minor. A budget to actual schedule is included as required supplementary information.

Capital Asset and Debt Administration

Capital Assets – The Town’s investment in capital assets for its governmental and business-type activities as of June 30, 2022, amounted to approximately \$21.0 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment and reflects an increase of approximately \$3.9 million, net of depreciation.

Additional information on the Town capital assets can be found in the footnotes.

Long-Term Debt – At the end of the current fiscal year, the Town had total debt outstanding of approximately \$3.8 million. This amount represents general obligation bonds and Title V notes payable of governmental activities. The business-type activity had no outstanding debt during the year.

The Town’s total long-term debt decreased by over \$0.2 million during the fiscal year as a result of regular scheduled maturities slightly outpacing new note issuances.

The Town also holds a proportionate share of debt of other governmental units that provide services within the Town’s boundaries. Debt service from such arrangements is assessed annually to the Town.

Additional information on the Town’s debt can be found in the footnotes.

Economic Factors and Next Year’s Budgets and Rates

- Unemployment rates across the Commonwealth have improved significantly and are now trending at pre-pandemic rates.
- The Town’s property tax base is made up predominantly of residential taxes, which in 2023 is expected to represent 79.8% of the entire levy. The Town also relies to a moderate degree on its commercial, industrial and personal property real estate tax base which comprise the remainder of the levy. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town’s ability to increase taxes in any one year by more than 2 ½% of the previous year tax levy.
- The Town anticipates state aid for 2023 to remain consistent with the prior year at over \$0.9 million.

- The Town's housing market has been very strong for the past several years. This has been bolstered by mortgage rates at historic lows. Current actions by the Federal Open Market Committee to soften the economy due to inflation have caused mortgage rates to spike during fiscal year 2023. Such trends may have an adverse effect on the housing market, and the Town is monitoring this.
- Inflation is peaking near 40-year historic highs. This is having adverse impacts on the Town. Wage inflation cannot guarantee that the Town will be able to maintain employees without increasing wages. Energy inflation is causing a spike in energy costs. Price inflation is causing a spike in the price of the delivery and cost of goods and services. The construction building index is nearing historic highs which may cause the estimates of major capital projects to increase, in addition to the financing costs of these projects. The Town continues to monitor this situation

In June 2022, the Town voted an initial General Fund budget for fiscal year 2023 that was in balance. The Town tax rate was certified on December 7, 2022.

The above items were considered when the Town accepted its budget for fiscal year 2023.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Town Accountant, Town Hall, 979 Somerset Avenue, Dighton, Massachusetts, 02175.

TOWN OF DIGHTON, MASSACHUSETTS

**STATEMENT OF NET POSITION
JUNE 30, 2022**

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 11,306,100	\$ 498,439	\$ 11,804,539
Receivables, net of allowance for uncollectibles:			
Property taxes	1,552,914	-	1,552,914
Excise taxes	279,798	-	279,798
User fees	-	115,307	115,307
Departmental and other	363,977	-	363,977
Intergovernmental	548,357	-	548,357
Tax foreclosures	517,196	-	517,196
Capital assets, not being depreciated	3,507,656	68,245	3,575,901
Capital assets, net of depreciation	15,082,729	2,294,801	17,377,530
Total Assets	33,158,727	2,976,792	36,135,519
Deferred Outflows of Resources:			
Related to net pension liability	1,736,699	-	1,736,699
Related to net other postemployment liability	2,839,707	-	2,839,707
Total Deferred Outflows	4,576,406	-	4,576,406
Liabilities			
Warrants and accounts payable	369,433	12,033	381,466
Accrued payroll and withholdings	41,080	-	41,080
Unearned revenue	649,153	-	649,153
Planning deposits	626,841	-	626,841
Other liabilities	122,252	-	122,252
Noncurrent liabilities:			
Due in one year or less	519,028	8,244	527,272
Due in more than one year	19,695,778	8,244	19,704,022
Total Liabilities	22,023,565	28,521	22,052,086
Deferred Inflows of Resources:			
Related to net pension liability	1,452,668	-	1,452,668
Related to net other postemployment liability	1,186,371	-	1,186,371
Total Deferred Inflows	2,639,039	-	2,639,039
Net Position			
Net investment in capital assets	14,157,631	2,363,046	16,520,677
Restricted for:			
Nonexpendable permanent funds	23,810	-	23,810
Ambulance	931,758	-	931,758
Community preservation	1,078,424	-	1,078,424
Other purposes	1,268,438	-	1,268,438
Unrestricted	(4,387,532)	585,225	(3,802,307)
Total Net Position	\$ 13,072,529	\$ 2,948,271	\$ 16,020,800

See accompanying notes to basic financial statements.

TOWN OF DIGHTON, MASSACHUSETTS

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Governmental Activities</u>							
General government	\$ 2,680,791	\$ 1,675,431	\$ 520,798	\$ -	\$ (484,562)		\$ (484,562)
Public safety	6,216,611	996,979	111,868	-	(5,107,764)		(5,107,764)
Education	12,276,365	-	-	-	(12,276,365)		(12,276,365)
Public works	2,474,982	317,703	514,299	1,947,440	304,460		304,460
Health and human services	651,024	35,575	121,425	-	(494,024)		(494,024)
Culture and recreation	483,987	205,034	76,257	-	(202,696)		(202,696)
Interest expense	128,636	-	-	-	(128,636)		(128,636)
Total Governmental Activities	24,912,396	3,230,722	1,344,647	1,947,440	(18,389,587)		(18,389,587)
<u>Business-Type Activities</u>							
Sewer	366,310	350,524	-	754,000		738,214	738,214
Total Primary Government	<u>\$ 25,278,706</u>	<u>\$ 3,581,246</u>	<u>\$ 1,344,647</u>	<u>\$ 2,701,440</u>	<u>(18,389,587)</u>	<u>738,214</u>	<u>(17,651,373)</u>
<u>General Revenues:</u>							
Real and personal property taxes					19,875,925	-	19,875,925
Grants and contributions not restricted to specific programs					854,724	-	854,724
Motor vehicle and other excise					1,560,053	-	1,560,053
Penalties and interest on taxes					276,195	-	276,195
Unrestricted investment income					13,474	306	13,780
Transfers (net)					(10,058)	10,058	-
Total general revenues					<u>22,570,313</u>	<u>10,364</u>	<u>22,580,677</u>
Change in Net Position					4,180,726	748,578	4,929,304
Net Position - Beginning (as restated)					<u>8,891,803</u>	<u>2,199,693</u>	<u>11,091,496</u>
Net Position - Ending					<u>\$ 13,072,529</u>	<u>\$ 2,948,271</u>	<u>\$ 16,020,800</u>

See accompanying notes to basic financial statements.

TOWN OF DIGHTON, MASSACHUSETTS

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2022**

	General	Ambulance Fund	ARPA Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 7,383,349	\$ 757,607	\$ 649,153	\$ 2,515,991	\$ 11,306,100
Receivables, net of allowance					
Property taxes	1,547,959	-	-	4,955	1,552,914
Excise taxes	279,798	-	-	-	279,798
Other	55,112	174,151	-	134,714	363,977
Due from other government	-	-	-	548,357	548,357
Tax foreclosures	517,196	-	-	-	517,196
Total Assets	<u>9,783,414</u>	<u>931,758</u>	<u>649,153</u>	<u>3,204,017</u>	<u>14,568,342</u>
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 9,783,414</u>	<u>\$ 931,758</u>	<u>\$ 649,153</u>	<u>\$ 3,204,017</u>	<u>\$ 14,568,342</u>
Liabilities					
Warrants and accounts payable	\$ 347,948	\$ -	\$ -	\$ 21,485	\$ 369,433
Accrued payroll and withholdings	41,080	-	-	-	41,080
Unearned revenue	-	-	649,153	-	649,153
Planning deposits	-	-	-	626,841	626,841
Other liabilities	33,514	-	-	88,738	122,252
Total Liabilities	<u>422,542</u>	<u>-</u>	<u>649,153</u>	<u>737,064</u>	<u>1,808,759</u>
Deferred Inflows of Resources					
Unavailable revenue - property taxes	2,065,155	-	-	4,955	2,070,110
Unavailable revenue - excise taxes	279,798	-	-	-	279,798
Unavailable revenue - other	55,112	174,151	-	54,629	283,892
Total Deferred Inflows of Resources	<u>2,400,065</u>	<u>174,151</u>	<u>-</u>	<u>59,584</u>	<u>2,633,800</u>
Fund Balances					
Nonspendable	-	-	-	23,810	23,810
Restricted	-	757,607	-	2,392,699	3,150,306
Committed	604,394	-	-	23,558	627,952
Assigned	392,013	-	-	-	392,013
Unassigned	5,964,400	-	-	(32,698)	5,931,702
Total Fund Balances	<u>6,960,807</u>	<u>757,607</u>	<u>-</u>	<u>2,407,369</u>	<u>10,125,783</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 9,783,414</u>	<u>\$ 931,758</u>	<u>\$ 649,153</u>	<u>\$ 3,204,017</u>	<u>\$ 14,568,342</u>

See accompanying notes to basic financial statements.

TOWN OF DIGHTON, MASSACHUSETTS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2022**

Total Governmental Fund Balances	\$ 10,125,783
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	18,590,385
Other long-term assets are not available to pay for current period expenditures	2,633,800
Deferred outflows and inflows of resources to be recognized in future other postemployment and pension expenses are not available resources and, therefore, are not reported in the funds:	
Deferred outflows related to net other postemployment liability	2,839,707
Deferred outflows related to net pension liability	1,736,699
Deferred inflows related to net other postemployment liability	(1,186,371)
Deferred inflows related to net pension liability	(1,452,668)
Long-term liabilities are not due and payable in the current period, and therefore are not reported in the government funds:	
Bonds and notes payable	(3,826,725)
Landfill monitoring	(110,700)
Compensated absences	(756,463)
Unamortized bond premium	(118,170)
Lease liabilities	(726,312)
Net other postemployment benefits	(7,961,964)
Net pension liability	<u>(6,714,472)</u>
Net Position of Governmental Activities	<u>\$ 13,072,529</u>

See accompanying notes to basic financial statements.

TOWN OF DIGHTON, MASSACHUSETTS

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2022**

	General	Ambulance Fund	ARPA Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Real estate and personal property taxes, net	\$ 19,605,133	\$ -	\$ -	\$ 127,588	\$ 19,732,721
Intergovernmental	959,598	46,026	41,513	1,146,385	2,193,522
Motor vehicle and other excises	1,597,996	-	-	-	1,597,996
License and permits	360,663	-	-	-	360,663
Departmental and other revenue	1,749,132	490,636	-	679,718	2,919,486
Penalties and interest on taxes	276,195	-	-	-	276,195
Fines and forfeitures	7,347	-	-	-	7,347
Investment income	11,600	-	-	1,874	13,474
Contributions and donations	-	-	-	1,953,288	1,953,288
Total Revenues	<u>24,567,664</u>	<u>536,662</u>	<u>41,513</u>	<u>3,908,853</u>	<u>29,054,692</u>
Expenditures					
Current:					
General government	1,890,297	-	41,513	219,324	2,151,134
Public safety	4,024,866	-	-	1,111,091	5,135,957
Education	12,276,315	-	-	50	12,276,365
Public works	2,369,532	-	-	2,457,821	4,827,353
Health and human services	393,163	-	-	26,114	419,277
Culture and recreation	313,296	-	-	49,633	362,929
Pensions and other fringes	2,186,944	-	-	-	2,186,944
State and county tax assessments	192,561	-	-	-	192,561
Debt service:					
Scheduled maturities	241,668	-	-	-	241,668
Interest expense	144,675	-	-	-	144,675
Total Expenditures	<u>24,033,317</u>	<u>-</u>	<u>41,513</u>	<u>3,864,033</u>	<u>27,938,863</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>534,347</u>	<u>536,662</u>	<u>-</u>	<u>44,820</u>	<u>1,115,829</u>
Other Financing Sources (Uses)					
Proceeds from lease liabilities	-	-	-	675,640	675,640
Transfers in	727,869	-	-	4,168	732,037
Transfers out	(14,226)	(670,100)	-	(57,769)	(742,095)
Total Other Financing Sources (Uses)	<u>713,643</u>	<u>(670,100)</u>	<u>-</u>	<u>622,039</u>	<u>665,582</u>
Net Change in Fund Balances	1,247,990	(133,438)	-	666,859	1,781,411
Fund Balances - Beginning, As Restated	<u>5,712,817</u>	<u>891,045</u>	<u>-</u>	<u>1,740,510</u>	<u>8,344,372</u>
Fund Balances - Ending	<u><u>\$ 6,960,807</u></u>	<u><u>\$ 757,607</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,407,369</u></u>	<u><u>\$ 10,125,783</u></u>

See accompanying notes to basic financial statements.

TOWN OF DIGHTON, MASSACHUSETTS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

Net Change in Fund Balances - Total Governmental Fund Balances **\$ 1,781,411**

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and depreciated/amortized over their estimated useful lives and reported as depreciation expense. The net amounts are presented here as reconciling items:

Capital outlays	3,989,233	
Depreciation expense	<u>(799,922)</u>	
Net effect of reporting capital assets		3,189,311

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

Proceeds from lease liabilities	(675,640)	
Repayments of capital lease liabilities	132,949	
Repayments of bonds and notes	<u>241,669</u>	
Net effect of reporting long-term debt		(301,022)

Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. The amount presented represents the following differences derived from unavailable revenue. 48,487

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Dept premium amortization	16,039	
Landfill monitoring	12,300	
Compensated absences	(112,205)	
Other postemployment benefits	(357,125)	
Net pension liability	<u>(96,470)</u>	
Net effect of reporting long-term liabilities		<u>(537,461)</u>

Change in Net Position of Governmental Activities **\$ 4,180,726**

See accompanying notes to basic financial statements.

TOWN OF DIGHTON, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2022**

	<u>Business-type Activities - Enterprise Funds Sewer</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 498,439
User fees, net of allowance	<u>115,307</u>
Total Current Assets	<u>613,746</u>
Noncurrent assets:	
Capital assets, not being depreciated	68,245
Capital assets, net of depreciation	<u>2,294,801</u>
Total Noncurrent Assets	<u>2,363,046</u>
Total Assets	<u>2,976,792</u>
Liabilities	
Current liabilities:	
Warrants payable and other liabilities	12,033
Compensated absences	<u>8,244</u>
Total Current Liabilities	<u>20,277</u>
Noncurrent liabilities:	
Compensated absences	<u>8,244</u>
Total Noncurrent Liabilities	<u>8,244</u>
Total Liabilities	<u>28,521</u>
Net Position	
Net investment in capital assets	2,363,046
Unrestricted	<u>585,225</u>
Total Net Position	<u><u>\$ 2,948,271</u></u>

See accompanying notes to basic financial statements.

TOWN OF DIGHTON, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2022**

	Business-type Activities - Enterprise Funds Sewer
Operating Revenues	
Usage charges	\$ 343,085
Other fees	7,439
Total Operating Revenues	<u>350,524</u>
Operating Expenses	
Operating costs	286,719
Depreciation	79,591
Total Operating Expenses	<u>366,310</u>
Total Operating Income	<u>(15,786)</u>
Nonoperating Income (Expenses)	
Interest income	306
Contributed capital by developer	754,000
Total Nonoperating Revenues (Expenses), net	<u>754,306</u>
Income (Loss) Before Transfers	738,520
Transfers in	<u>10,058</u>
Change in Net Position	748,578
Net Position - Beginning, As Restated	<u>2,199,693</u>
Net Position - Ending	<u><u>\$ 2,948,271</u></u>

See accompanying notes to basic financial statements.

TOWN OF DIGHTON, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022**

	Business-type Activities - Enterprise Funds Sewer
Cash Flows from Operating Activities:	
Receipts from users	\$ 329,757
Payments to vendors	(188,612)
Payments to employees	(97,879)
	<u>43,266</u>
Net Cash Provided by Operating Activities	<u>43,266</u>
Cash Flows from Noncapital Related Financing Activities:	
Transfers in	<u>10,058</u>
Net Cash Provided by Noncapital Related Financing Activities	<u>10,058</u>
Cash Flows from Capital and Related Financing Activities:	
Contributed capital by developer	754,000
Acquisition and construction of capital assets	(754,000)
	<u>-</u>
Net Cash Used for Capital and Related Financing Activities	<u>-</u>
Cash Flows from Investing Activities:	
Investment income	<u>306</u>
Net Cash Provided by Investing Activities	<u>306</u>
Net Change in Cash and Cash Equivalents	53,630
Cash and Cash Equivalents:	
Beginning of year	<u>444,809</u>
End of year	<u><u>\$ 498,439</u></u>
Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities:	
Operating income (loss)	\$ (15,786)
Depreciation	79,591
Changes in assets and liabilities:	
Receivables, net	(20,767)
Liabilities, net	228
	<u>228</u>
Net Cash Provided From Operating Activities	<u><u>\$ 43,266</u></u>

See accompanying notes to basic financial statements.

TOWN OF DIGHTON, MASSACHUSETTS

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2022**

	Other Postemployment Benefits Trust Fund
Assets	
Money market account	\$ 5,821
Mutual funds - fixed income	493,681
Mutual funds - equities	<u>1,103,714</u>
Total Assets	<u>1,603,216</u>
Net Position	
Held in trust for:	
Other postemployment benefits	<u>1,603,216</u>
Total Net Position	<u><u>\$ 1,603,216</u></u>

See accompanying notes to basic financial statements.

TOWN OF DIGHTON, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2022

	Other Postemployment Benefits Trust Fund
Additions	
Contributions:	
Employer	\$ 414,600
Total Contributions	<u>414,600</u>
Investment income:	
Investment income (loss)	<u>(251,330)</u>
Net Investment Earnings	<u>(251,330)</u>
Total Additions	<u>163,270</u>
Deductions	
Life and health insurance premiums paid for retirees	<u>289,600</u>
Total Deductions	<u>289,600</u>
Change in Net Position	(126,330)
Net Position - Beginning	<u>1,729,546</u>
Net Position - Ending	<u><u>\$ 1,603,216</u></u>

See accompanying notes to basic financial statements.

TOWN OF DIGHTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

I. Summary of Significant Accounting Policies

The basic financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for state and local governmental entities. The following is a summary of the more significant policies and practices used by the Town:

A. Reporting Entity

The Town is located south of Boston in Bristol County. It was established as a Town in 1712. The Town is governed by an elected three-member Board of Selectmen. The board members serve three-year terms. The Town provides governmental services for the territory within its boundaries, including police and fire protection, rubbish disposal, public education in grades K-12, sewer services, street maintenance, and parks and recreational facilities.

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

Joint Venture – The Town is a member community of the Dighton-Rehoboth Regional School District that provides educational services to two area communities. This joint venture assesses each community its share of operational and debt service costs based on student population and other factors. In fiscal year 2022, the Town's share of the operating and debt service expenses was almost \$11.1 million. There is no equity interest reported in these financial statements. Complete audited financial statements can be obtained directly from the District's administrative office located at 2700 Regional Road, North Dighton, MA, 02764.

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e. measurable and available). Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for interest on general long-term debt which is recognized when payment is due, certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

The Town considers property tax revenues to be available if they are collected within 60 days after the end of the fiscal year and are material. Investment income associated with the current fiscal period is susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received and are recognized as revenue at that time.

The government reports the following major governmental funds:

General Fund – is the government’s primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

Ambulance Fund – is used to account for the fees generated from the operations of the fire department’s ambulance service that are designated to fund and supplement operating costs of the department.

ARPA Grants Fund – is used to account for grant activities related to the Coronavirus State and Local Fiscal Recovery Funds program authorized by the American Rescue Plan Act (ARPA).

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

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

Capital Project Funds – are used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

Permanent Funds – are used to account for financial resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues are user charges and fees, while operating expenses consist of salaries, ordinary maintenance, indirect costs and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The government reports the following major proprietary fund:

Sewer Enterprise Fund – accounts for user charges collected to finance costs associated with maintaining the related infrastructure within the Town boundaries by which the sewer activities are processed.

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

The government reports the following fiduciary funds:

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

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

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

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

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

Sewer user charges are assessed semi-annually based upon metered water consumption as provided by the Dighton Water District.

Real estate taxes and sewer user fees may be secured through a lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible balances for these receivables is not reported. All personal property tax, excise tax and other departmental receivables are shown net of an allowance for uncollectible balances comprised of those outstanding amounts greater than five years old.

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

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

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

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

Capital assets (excluding land and construction-in-process) are depreciated/amortized using the straight-line method over the following estimated useful lives:

Buildings and improvements	40 years
Machinery and equipment	5-10 years
Vehicles	5-10 years
Infrastructure	40-50 years

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

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

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

Compensated Absences – It is the Town’s policy to permit employees to accumulate earned but unused vacation benefits. Amounts related to sick-pay benefits are carried forward from year to year. Compensation to employees varies depending upon union or employment contracts, with employee payments options including at year end or upon retirement. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting the payroll and related expenditures. Amounts related to these benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in Governmental Funds only if they have matured.

Debt Obligations – Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bond anticipation notes payable are reported net of the applicable bond premium or discount.

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

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate

financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has two types of items that are reported on the government-wide statement of net position which relate to outflows from changes in the net pension liability and net other postemployment benefits liability. These will be recognized in pension and employee benefits expense in future years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and thus will not be recognized as an inflow of resources (revenue) until that time. The Town has two types of items that are reported on the government-wide statement of net position which relate to outflows from changes in the net pension liability and the other postemployment benefit liability. These will be recognized in pension and employee benefits expense in future years.

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

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

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

Nonexpendable Permanent Funds represent the endowment portion of donor restricted trusts that support governmental programs.

Ambulance is used to account for the fees generated from the operations of the fire department’s ambulance service that are designated to fund and supplement operating costs of the department.

Capital Project Funds are used to account for financial resources that are restricted, for capital outlays.

Other Purposes represent assets that are restricted by donors for specific governmental programs and uses.

Fund Equity – In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent in which the Town is required to honor constraints on the specific purpose for which amounts in the funds can be spent.

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

Nonspendable represents amounts that cannot be spent because they are either (a) not in spendable form (i.e. inventory or prepaid) or (b) legally or contractually required to be maintained intact as the corpus of the endowment.

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

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

Assigned represents amounts that are constrained by the Town's intent to be used for specific purposes but are neither restricted nor committed. The Town has by ordinance authorized the Town Accountant to assign fund balance. The Town Meeting may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

Unassigned represents amounts that have not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the General Fund can only report a negative unassigned fund balance amount.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the Town's policy to use committed resources first, then assigned, and then unassigned as they are needed. The Town has not established financial policies with respect to maintaining minimum fund balance amounts.

Stabilization Funds – The Town maintains a general stabilization fund which may be used for any municipal purpose upon a two-thirds vote of the Town Meeting. The balance of the fund totals \$1,649,111 at June 30, 2022 and is reported as unassigned fund balance in the General Fund.

The Town maintains a capital stabilization fund which may be used for any capital purpose upon a two-thirds vote of the Town Meeting. The balance of the fund totals \$986,292 at June 30, 2022 and is reported as unassigned fund balance in the General Fund.

Encumbrances - The Town's encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal purchasing activity approved by the Town Accountant as assigned, and (2) classify encumbrances that result from an action of the Town Meeting as committed. Encumbrances of funds already restricted, or committed are included within the classification of those fund balances and not reported separately.

The Town reports \$604,394 of encumbrances from Town Meeting votes in the General Fund as committed and \$42,699 of encumbrances from normal purchasing activity as assigned at June 30, 2022. Encumbrances are not reported in any other fund.

The following table reflects the Town's fund equity categorizations:

	General	Ambulance Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Nonexpendable trust funds	\$ -	\$ -	\$ 23,810	\$ 23,810
Restricted:				
General government	-	-	545,759	545,759
Public safety	-	757,607	135,511	893,118
Public works	-	-	17,459	17,459
Health and human services	-	-	236,952	236,952
Culture and recreation	-	-	365,455	365,455
Community preservation	-	-	1,069,844	1,069,844
Other purposes	-	-	21,719	21,719
Committed:				
General government	170,928	-	-	170,928
Public safety	95,578	-	-	95,578
Public works	255,206	-	-	255,206
Culture and recreation	14,000	-	-	14,000
Unemployment	68,682	-	-	68,682
Capital outlay	-	-	23,558	23,558
Assigned:				
General government	10,782	-	-	10,782
Public safety	29,680	-	-	29,680
Public works	2,237	-	-	2,237
Subsequent years' budget	349,314	-	-	349,314
Unassigned	5,964,400	-	(32,698)	5,931,702
	<u>\$ 6,960,807</u>	<u>\$ 757,607</u>	<u>\$ 2,407,369</u>	<u>\$10,125,783</u>

E. Excess of Expenditures Over Appropriations and Deficits

During the fiscal year, the Town incurred appropriation deficits of \$226,030 as a result of incurring additional snow and ice removal costs. These were raised on the 2023 tax recap. Expenditures did not exceed appropriations for the legally adopted budget within the General Fund for any other functions.

The Town incurred individual fund deficits totaling \$32,698 in its nonmajor governmental funds. These deficits will be funded in future fiscal years with grant revenues or other available funds.

F. Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the

reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

II. Detailed Notes to All Funds

A. Deposits and Investments

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

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

Custodial Credit Risk: Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk relative to cash holdings. At year-end, the carrying amount of the Town's deposits was \$11,809,504 and the bank balance was \$10,334,603. Of the Town's bank balance, \$9,390,698 was covered by either federal depository insurance or by the depositors' insurance fund; and the remainder was uninsured.

Custodial Credit Risk: Investments – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings. The Town does not have a formal investment policy related to custodial credit risk. The Town's bond mutual fund, equity mutual fund, money market mutual fund and State Treasurer's investment pool investments are not subject to custodial credit risk.

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

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

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.
- *Level 2* – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the investment through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

- *Level 3* – Inputs reflect the Town’s best estimate of what market participants would use in pricing the investment at the measurement date.

The following table presents the Town’s investments carried at fair value on a recurring basis in the statement of net position at June 30, 2022:

		Fair Value Measurements Using		
	June 30, 2022	Level 1	Level 2	Level 3
<u>Investments by fair value level</u>				
Debt securities:				
Bond mutual funds	\$ 493,681	-	493,681	-
Total debt securities	493,681	-	493,681	-
Equity securities:				
Equity mutual funds	1,103,714	-	1,103,714	-
Total equity securities	1,103,714	-	1,103,714	-
Total Investments by Fair Value Level	\$ 1,597,395	\$ -	\$1,597,395	\$ -
<u>Investments measured at amortized cost</u>				
State investment pool	342,292			
Money market mutual fund	5,821			
Total Investments Measured at Fair Value	\$ 1,945,508			

Debt and equity securities classified as Level 1 are valued using prices quoted in active markets for those securities. The State Treasurer’s investment pool (MMDT) is valued at amortized cost. The MMDT’s investment advisor may value the pool using an alternative valuation method that more accurately reflect the fair value in accordance with the pool’s fair value pricing policies should amortized cost not approximate the fair value of the pool.

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

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

At June 30, 2022, the Town had the following investments with maturities:

Investments	June 30, 2022	Maturities in Years		
		Less than 1	1 - 5	6 - 10
Bond mutual funds	\$ 493,681	\$ 493,681	\$ -	\$ -
State investment pool	342,292	342,292	-	-
Non-negotiable certificates of deposit	1,953,011	1,953,011	-	-
Total investments with maturities	\$ 2,788,984	\$2,788,984	\$ -	\$ -

Concentration of Credit Risk – The Town does not place a limit on the amount that may be invested in any one issuer. No issuer represents more than 5% of the Town’s total investments.

Credit Risk – The Town has not adopted a formal policy related to credit risk. All of the Town’s investments are unrated.

B. Receivables

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
Real estate and personal property taxes	\$ 634,120	\$ -	\$ 634,120
Tax liens	913,839	-	913,839
Community preservation surcharge	4,955	-	4,955
Excise	279,798	-	279,798
Ambulance	355,145	(180,994)	174,151
Departmental and other	138,805	-	138,805
Title V betterment loans	51,021	-	51,021
Intergovernmental	548,357	-	548,357
Total	<u>\$ 2,926,040</u>	<u>\$ (180,994)</u>	<u>\$ 2,745,046</u>

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
Sewer user fees	\$ 115,307	\$ -	\$ 115,307
Total	<u>\$ 115,307</u>	<u>\$ -</u>	<u>\$ 115,307</u>

Governmental funds report deferred inflows of resources in connections with receivables for revenues that are considered unavailable to liquidate liabilities of the current period. The following identifies the components of deferred inflows of resources in the governmental funds:

	General	Other	
	Fund	Governmental	
		Funds	Total
Real estate and personal property taxes	\$ 634,120	\$ -	\$ 634,120
Tax liens	913,839	-	913,839
Community preservation surcharge	-	4,955	4,955
Excise	279,798	-	279,798
Ambulance	-	174,151	174,151
Departmental and other	55,112	3,608	58,720
Title V betterment loans	-	51,021	51,021
Tax foreclosures	517,196	-	517,196
Total	<u>\$ 2,400,065</u>	<u>\$ 233,735</u>	<u>\$ 2,633,800</u>

C. Capital Assets

Capital asset activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u><i>Governmental Activities:</i></u>				
Capital assets not being depreciated/amortized:				
Land	\$ 3,507,656	\$ -	\$ -	\$ 3,507,656
Construction in Process	172,610	-	(172,610)	-
Total capital assets not being depreciated/amortized	3,680,266	-	(172,610)	3,507,656
Capital assets being depreciated/amortized:				
Buildings and improvements	7,681,074	157,240	-	7,838,314
Improvements other than buildings	277,128	-	-	277,128
Infrastructure	5,137,892	3,044,624	-	8,182,516
Machinery and equipment	2,358,478	47,261	-	2,405,739
Vehicles	4,035,516	912,718	-	4,948,234
Total capital assets being depreciated/amortized	19,490,088	4,161,843	-	23,651,931
Less accumulated depreciation/amortization for:				
Buildings and improvements	(1,678,535)	(186,890)	-	(1,865,425)
Improvements other than buildings	(102,404)	(9,506)	-	(111,910)
Infrastructure	(1,238,678)	(218,924)	-	(1,457,602)
Machinery and equipment	(1,744,132)	(117,875)	-	(1,862,007)
Vehicles	(3,005,531)	(266,727)	-	(3,272,258)
Total accumulated depreciation/amortization	(7,769,280)	(799,922)	-	(8,569,202)
Total capital assets being depreciated/amortized, net	11,720,808	3,361,921	-	15,082,729
Governmental activities capital assets, net	<u>\$ 15,401,074</u>	<u>\$ 3,361,921</u>	<u>\$ (172,610)</u>	<u>\$ 18,590,385</u>
<u><i>Business-Type Activities - Sewer:</i></u>				
Capital assets not being depreciated/amortized:				
Land	\$ 68,245	\$ -	\$ -	\$ 68,245
Total capital assets not being depreciated/amortized	68,245	-	-	68,245
Capital assets being depreciated/amortized:				
Infrastructure	3,405,993	754,000	-	4,159,993
Machinery and equipment	32,026	-	-	32,026
Vehicles	20,000	-	-	20,000
Total capital assets being depreciated/amortized	3,458,019	754,000	-	4,212,019
Less accumulated depreciation/amortization for:				
Infrastructure	(1,800,217)	(77,545)	-	(1,877,762)
Machinery and equipment	(17,410)	(2,046)	-	(19,456)
Vehicles	(20,000)	-	-	(20,000)
Total accumulated depreciation/amortization	(1,837,627)	(79,591)	-	(1,917,218)
Total capital assets being depreciated/amortized, net	1,620,392	674,409	-	2,294,801
Business-type activities capital assets, net	<u>\$ 1,688,637</u>	<u>\$ 674,409</u>	<u>\$ -</u>	<u>\$ 2,363,046</u>

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

<u>Governmental Activities:</u>		<u>Business-Type Activities:</u>	
General government	\$ 41,426	Sewer	\$ 79,591
Public safety	373,956	Total Business-Type Activities	<u>\$ 79,591</u>
Public works	359,999		
Culture and recreation	24,541		
Total Governmental Activities	<u>\$ 799,922</u>		

D. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2022, are as follows:

Transfers Out	Transfers In			Total	
	General Fund	Nonmajor Governmental Funds	Sewer Enterprise Fund		
General Fund	\$ -	\$ 4,168	\$ 10,058	\$ 14,226	(1)
Ambulance Fund	670,100	-	-	670,100	(2)
Nonmajor Governmental Funds	57,769	-	-	57,769	(3)
Total	<u>\$ 727,869</u>	<u>\$ 4,168</u>	<u>\$ 10,058</u>	<u>\$ 742,095</u>	

(1) Transfers to Nonmajor Fund (waterways fund) and to Sewer Enterprise Fund to reimburse FY21 insurance costs.

(2) Transfers to General Fund to supplement ambulance expenses.

(3) Transfers to General Fund to supplement operating budgets.

E. Temporary Debt

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

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

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS). In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount.

The Town did not have any temporary notes outstanding at June 30, 2022.

F. Lease Liabilities

The Town is party to noncancellable leases for the purchase of a street sweeper and fire truck. For financial reporting purposes, these leases have been capitalized. Lease payment requirements as of June 30, 2022, were as follows:

Year Ended June 30,	Principal	Interest	Total
2023	\$ 136,855	\$ 19,854	\$ 156,709
2024	140,882	15,827	156,709
2025	145,035	11,674	156,709
2026	98,756	7,391	106,147
2027	101,160	4,986	106,146
2028	103,624	2,523	106,147
	<u>\$ 726,312</u>	<u>\$ 62,255</u>	<u>\$ 788,567</u>

The historical cost, accumulated amortization and net carrying value of assets under lease as of June 30, 2022, were as follows:

Description	Amount
Street Sweeper	\$ 231,825
Fire Pumper Truck	<u>675,640</u>
Total cost	907,465
Less: accumulated amortization	<u>(68,556)</u>
Total	<u>\$ 838,909</u>

G. Long-Term Obligations

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

State law permits the Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5.0 percent of its equalized valuation. Debt issued in accordance with this section of the law is designated as being “inside the debt limit.” In addition, the Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being “outside the debt limit”.

The following reflects the current year activity in the long-term liability accounts:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
<u>Governmental Activities:</u>					
Bond and note debt	\$ 3,965,000	\$ -	\$ (235,000)	\$ 3,730,000	\$ 235,000
Notes from direct borrowings and placements	103,394	-	(6,669)	96,725	6,668
Debt premiums	134,209	-	(16,039)	118,170	14,736
Lease obligations	183,621	675,640	(132,949)	726,312	136,855
Landfill monitoring	123,000	-	(12,300)	110,700	12,300
Compensated absences	644,258	208,844	(96,639)	756,463	113,469
Net other postemployment benefits liability	5,473,722	4,089,213	(1,600,971)	7,961,964	-
Net pension liability	7,735,050	2,723,537	(3,744,115)	6,714,472	-
Total Governmental Activities	<u>\$ 18,362,254</u>	<u>\$ 7,697,234</u>	<u>\$ (5,844,682)</u>	<u>\$ 20,214,806</u>	<u>\$ 519,028</u>
<u>Business-type Activities: Sewer</u>					
Compensated absences	\$ 16,546	\$ 8,216	\$ (8,273)	\$ 16,489	\$ 8,245
Total Business-type Activities: Sewer	<u>\$ 16,546</u>	<u>\$ 8,216</u>	<u>\$ (8,273)</u>	<u>\$ 16,489</u>	<u>\$ 8,245</u>

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

The following is a summary of the current year activity for outstanding long-term debt obligations:

Description of Issue	Interest Rate	Beginning Balance	Additions	Maturities	Ending Balance
<u>Governmental Activities:</u>					
General obligation bonds	3.0% - 5.0%	\$ 3,965,000	\$ -	\$ (235,000)	\$ 3,730,000
MCWT (Title V) Loans	0.00%	103,394	-	(6,669)	96,725
Total Governmental Bond and Note Indebtedness		<u>\$ 4,068,394</u>	<u>\$ -</u>	<u>\$ (241,669)</u>	<u>\$ 3,826,725</u>

Payments on outstanding bonds and notes due in future years consist of the following:

Year Ending June 30,	<i>Governmental Activities - Total Bond and Note Indebtedness</i>						
	Principal			Interest			Grand Total
	GO Bonds	Direct	Total	GO Bonds	Direct	Total	
2023	\$ 235,000	\$ 6,668	\$ 241,668	\$ 132,925	\$ -	\$ 132,925	\$ 374,593
2024	235,000	6,668	241,668	121,175	-	121,175	362,843
2025	235,000	6,668	241,668	109,425	-	109,425	351,093
2026	235,000	6,668	241,668	97,675	-	97,675	339,343
2027	235,000	6,668	241,668	90,625	-	90,625	332,293
2028-2032	1,175,000	33,339	1,208,339	346,787	-	346,787	1,555,126
2033-2037	1,150,000	20,027	1,170,027	159,276	-	159,276	1,329,303
2038-2040	230,000	10,020	240,020	8,050	-	8,050	248,070
Total	<u>\$ 3,730,000</u>	<u>\$ 96,726</u>	<u>\$ 3,826,726</u>	<u>\$ 1,065,938</u>	<u>\$ -</u>	<u>\$ 1,065,938</u>	<u>\$ 4,892,664</u>

The following represents authorized and unissued debt as of June 30, 2022:

<u>Project</u>	<u>Amount</u>
<u>Governmental Activities:</u>	
Police Headquarters	\$ 770,723
Police Headquarters & Community Center	<u>1,137,000</u>
Total Authorized and Unissued Debt	<u><u>\$ 1,907,723</u></u>

III. Other Information

A. Retirement System

System Description – The Town contributes to the Bristol County Retirement System (the System), a cost sharing multiple-employer defined benefit pension plan established under Chapter 32 of the Massachusetts General Laws (MGL) and is administered by the Bristol County Retirement Board (BCRB). Standalone audited financial statements for the year ended December 31, 2021, were issued and may be obtained by writing to the Bristol County Retirement System, 645 County Street, Taunton, MA, 02780.

Current membership in the System for all employers as of December 31, 2021, was as follows:

Retirees and beneficiaries currently receiving benefits	2,699
Inactive participants	872
Disabled participants	<u>3,384</u>
Total	<u><u>6,955</u></u>
Participating employers	40

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

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

The most common benefits paid by the System include normal retirement, disability retirement and survivor benefits.

Normal retirement generally occurs at age 65. However, participants may retire after twenty years of service or at any time after attaining age 55, if hired prior to April 2, 2012 or at any time after attaining age 60 if hired on or after April 2, 2012. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years' creditable service in order to retire at age 55. Participants become vested after ten years of service. Benefits

commencing before age 65 are provided at a reduced rate. Members working in certain occupations may retire with full benefits earlier than age 65.

Ordinary disability retirement is where a participant is permanently incapacitated from a cause unrelated to employment. Accidental disability retirement is where the disability is the result of an injury or illness received or aggravated in the performance of duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of service, average compensation and veteran status.

Survivor benefits are extended to eligible beneficiaries of participants whose death occurs prior to or following retirement.

Cost-of-living adjustments granted to members of Massachusetts retirement systems granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth during those years have been the financial responsibility of the Commonwealth. Beginning in 1998, the funding of cost-of-living amounts became the responsibility of the participating units like the System.

Contributions Requirements – The Town has elected provisions of Chapter 32, Section 22D (as amended) of Massachusetts General Laws, which require that a funding schedule be established to fully fund the pension plan by June 30, 2040. Under provisions of this law, participating employers are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method.

The Town contributed \$890,368 to the System in fiscal year 2022, which equaled the actuarially determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll was approximately 19.80% in fiscal year 2022.

Net Pension Liability – At June 30, 2022, the Town reported a liability of \$6,714,472 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. There were no material changes made in this update to the actuarial assumptions (see below) nor were there any material changes to the System's benefit terms since the actuarial valuation.

The Town's proportion of the net pension liability is based on a projection of the Town's long-term share of contributions to the System relative to the projected contributions of all employers. The Town's proportion was approximately 1.804% at December 31, 2021.

Pension Expense – The Town recognized \$986,838 in net pension expense in the statement of activities in fiscal year 2022.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 599,100	\$ -
Changes of assumptions	985,088	-
Net differences between projected and actual earnings on pension plan investments	-	1,422,175
Changes in proportion and differences between Town contributions and proportionate share of contributions	152,511	30,493
Total	<u>\$ 1,736,699</u>	<u>\$ 1,452,668</u>

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

Year Ended June 30,	Amount
2023	\$ 392,790
2024	115,712
2025	(73,634)
2026	(158,272)
2027	7,435
Total	<u>\$ 284,031</u>

Actuarial Valuation – The measurement of the System’s total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2022. The significant actuarial assumptions used in the January 1, 2022 actuarial valuation included:

Actuarial cost method	Entry age normal
Asset valuation method	Market Value
Remaining amortization period	As of January 1, 2022
Investment rate of return / Discount rate	7.35%, net of expenses (previously 7.5%)
Inflation rate	3.00%
Projected salary increases	3.00%
Cost of living adjustments	3.0% of the first \$18,000 of benefits
Mortality	RP-2014 table adjusted to 2006 and projected generationally with MP-2021 (gender distinct). Pre-retirement the healthy employee mortality table is used. Post-employment, the healthy annuitant table is used. For disabled retirees, mortality follows same table as non-disabled retirees set forward two years. Death is assumed to be due to same cause as disability, 40% of the time.

Discount Rate – The discount rate used to measure the total pension liability in the January 1, 2020 actuarial valuation report was 7.35%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially-determined contribution rates and the member rate. Based on those assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

The target allocations and best estimates of arithmetic real returns for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	22.00%	4.7%
International equities	11.00%	4.9%
Emerging market equities	11.00%	5.7%
Global REITs	2.00%	3.8%
Core fixed income	5.00%	30.0%
High yield fixed income	3.00%	2.2%
Emerging markets fixed income	4.00%	2.2%
Global fixed income	3.00%	2.0%
Private equity	12.00%	7.7%
Hedge funds	4.00%	2.5%
Real estate	11.00%	3.0%
Timber	3.00%	3.3%
Farmland	3.00%	4.9%
Infrastructure	6.00%	4.9%
Total	100.00%	

Sensitivity Analysis – The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.35% as well as the Town’s proportionate share of the net pension liability using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Discount Rate			
	Current Rate	1% Decrease	Current Rate	1% Increase
Net pension liability	7.35%	\$ 9,415,484	\$ 6,714,472	\$ 4,434,702

B. Risk Financing

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

The Town is part of a premium-based, self-insurance group which insures for general and personal liability, and worker’s compensation, through the Southeastern MASS Health Group. Additionally, the Town is entirely self-insured for employees’ unemployment benefits. The Town essentially transfers its risk through payment of its annual assessment which is adjusted according to the Town’s experience history. All other insurance is carried through conventional carriers.

C. Other Postemployment Benefits

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

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

OPEB Plan disclosures that impact the Town’s net OPEB liability using a measurement date of June 30, 2022, are summarized as follows:

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of the actuarial valuation date of July 1, 2021:

Active employees	80
Inactive employees	47
Total	<u>127</u>

Contributions – The contribution requirements of OPEB Plan members and the Town are established and may be amended by the Town. For healthcare coverage, retirees contribute 25% of premiums. Retirees contribute 50% of life insurance benefit premiums. The remainder of the cost is funded by general revenues of the Town.

The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the OPEB Plan are paid by the Town. For the year ended June 30, 2022, the Town’s average contribution rate was approximately 6.72% of covered payroll.

Net OPEB Liability – The Town’s net OPEB liability was measured as of June 30, 2022, using an actuarial valuation as of July 1, 2021. The components of the net OPEB liability of the Town at June 30, 2022 were as follows:

Total OPEB liability	\$ 9,565,180
Plan fiduciary net position	<u>(1,603,216)</u>
Net OPEB liability	<u>\$ 7,961,964</u>
Plan fiduciary net position as a percentage of the total OPEB liability	16.76%

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

Investment Rate of Return	5.86%, net of OPEB plan investment expenses, including inflation.
Municipal Bond Rate	4.09% as of June 30, 2022
Single Equivalent Discount Rate	5.39%, net of OPEB plan investment expense, including inflation.
Inflation	2.50% annually as of June 30, 2022 and for future periods
Healthcare Costs Trend Rate	SOA Getzen Model of Long-Run Medial Cost Trends: 8.00% in fiscal year 2022 decreasing annually to 4.77% in fiscal year 2030 and to 3.63% for 2060 and later
Salary Increases	3.0% annually as of June 30, 2022 and for future periods
Actuarial Cost Method	Individual entry age normal
Pre-Retirement Mortality	RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females
Post-Retirement Mortality	RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females
Disabled Mortality	RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year

Changes to Key Assumptions

Single Equivalent Discount Rate	Due to GASB 75 standards the discount rate has been changed to 5.39% from 5.25%, decreasing the disclosed liability by about \$180 thousand.
Healthcare Costs Trend Rate	Based on actuarial research, the Town adopted the Getzen model for future projected healthcare costs, increasing the disclosed liability by about \$940 thousand.
Calculation of Expected Claims	Updated guidance related to the implementation of ASOP 6, has resulted in the Town adopting a revised methodology for calculating expected claims, increasing the disclosed liability by about \$590 thousand.

Discount Rate – The discount rate used to measure the total OPEB liability was 5.39% as of June 30, 2022, which represented an increase from the prior year rate of 5.25%.

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

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

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

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2021	\$ 7,203,268	\$ 1,729,546	\$ 5,473,722
Changes for the year:			
Service cost	212,169	-	212,169
Interest	381,806	-	381,806
Change in assumptions	1,355,774	-	1,355,774
Difference between expected and actual experience	701,763	-	701,763
Net investment income (loss)	-	(251,330)	251,330
Employer contributions	-	414,600	(414,600)
Benefit payments withdrawn from trust	-	(289,600)	289,600
Benefit payments	(289,600)	-	(289,600)
Net changes	2,361,912	(126,330)	2,488,242
Balances at June 30, 2022	<u>\$ 9,565,180</u>	<u>\$ 1,603,216</u>	<u>\$ 7,961,964</u>

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

Net OPEB Liability			
Healthcare Trend Rate			
Current Rate	1% Decrease	Current Trend	1% Increase
8.00%	\$ 6,590,011	\$ 7,961,964	\$ 9,728,114
Discount Rate			
Current Rate	1% Decrease	Current	1% Increase
5.39%	\$ 9,522,187	\$ 7,961,964	\$ 6,725,496

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2022:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2021	\$ 7,203,268	\$ 1,729,546	\$ 5,473,722
Changes for the year:			
Service cost	212,169	-	212,169
Interest	381,806	-	381,806
Change in assumptions	1,355,774	-	1,355,774
Difference between expected and actual experience	701,763	-	701,763
Net investment income (loss)	-	(251,330)	251,330
Employer contributions	-	414,600	(414,600)
Benefit payments withdrawn from trust	-	(289,600)	289,600
Benefit payments	(289,600)	-	(289,600)
Net changes	2,361,912	(126,330)	2,488,242
Balances at June 30, 2022	\$ 9,565,180	\$ 1,603,216	\$ 7,961,964

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2022, the Town recognized OPEB expense of \$771,725. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2022 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 688,654	\$ 387,380
Differences between actual and expected earnings	164,210	-
Change in assumptions	1,986,843	798,991
Totals	\$ 2,839,707	\$ 1,186,371

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

Year Ended June 30,	Amount
2023	\$ 289,664
2024	289,502
2025	225,554
2026	499,086
2027	349,530
Total	\$ 1,653,336

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

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

Investment Rate of Return – For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was negative 14.01%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Commitments and Contingencies

General – The Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability, if any, at June 30, 2022, cannot be ascertained, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2022.

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

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

E. Landfill Closure and Post-Closure Care Costs

The Town's landfill is closed and a final cover has been installed in accordance with Federal and State laws and regulations. Those laws and regulations also require the Town to perform certain maintenance and monitoring functions ("post-closure care") at the site for 30 years after the landfill cover is installed. In accordance with generally accepted accounting principles, the estimated remaining cost of monitoring; \$110,700 has been recorded as a governmental activities' liability; actual costs may be higher due to inflation, changes in technology, or changes in regulations.

F. Implementation of New GASB Pronouncements

a. Current Year Implementations

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefined the manner in which long-term leases are accounted and reported. As amended, the provisions of this Statement became effective in fiscal year 2022. The adoption of this standard did not have a material impact on the Town's financial statements.

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement established accounting requirements for interest costs incurred before the end of a construction period. As amended, the provisions of this Statement became effective in fiscal year 2022. The adoption of this standard did not have a material impact on the Town's financial statements.

In June 2020, the GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The objective of this Statement was to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The provisions of this Statement became effective in fiscal year 2022. The adoption of this standard did not have a material impact on the Town's financial statements.

b. Future Year Implementations

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to standardize the reporting of conduit debt obligations by issuers by clarifying the existing definition of conduit debt obligation, among other matters. As amended, the provisions of this Statement are effective for financial reporting periods beginning after December 15, 2021 (fiscal year 2023). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In March 2020, the GASB issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issued related to public-private and public-public partnership arrangements. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement is to address accounting for subscription-based information technology arrangements to government end users based on the standards established in Statement No. 87, as amended. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The

Town is currently evaluating whether adoption will have a material impact on the financial statements.

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

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

TOWN OF DIGHTON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2022

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

	Year Ended June 30,							
	2022	2021	2020	2019	2018	2017	2016	2015
Town's proportion of the net pension liability (asset)	1.804%	1.773%	1.743%	1.763%	1.765%	1.765%	1.765%	1.939%
Town's proportionate share of the net pension liability (asset)	\$ 6,714,472	\$ 7,735,050	\$ 8,212,694	\$ 5,508,579	\$ 5,508,579	\$ 5,893,833	\$ 5,939,429	\$ 5,636,255
Town's covered-employee payroll	\$ 4,496,922	\$ 4,319,267	\$ 4,010,854	\$ 3,860,253	\$ 4,036,032	\$ 3,203,947	\$ 3,392,553	\$ 2,798,717
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	149.31%	179.08%	204.76%	142.70%	136.49%	183.96%	175.07%	201.39%
Plan fiduciary net position as a percentage of the total pension liability	71.60%	65.20%	61.20%	63.48%	68.56%	64.17%	62.90%	67.10%

SCHEDULE OF THE TOWN'S CONTRIBUTIONS TO PENSION PLAN

	Year Ended June 30,							
	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 890,368	\$ 811,670	\$ 742,843	\$ 690,701	\$ 664,690	\$ 711,360	\$ 654,571	\$ 589,292
Contributions in relation to the actuarially determined contribution	<u>890,368</u>	<u>811,670</u>	<u>742,843</u>	<u>690,701</u>	<u>664,690</u>	<u>711,360</u>	<u>654,571</u>	<u>589,292</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 4,496,922	\$ 4,319,267	\$ 4,010,854	\$ 3,860,253	\$ 4,036,032	\$ 3,203,947	\$ 3,392,553	\$ 2,798,717
Contributions as a percentage of covered-employee payroll	19.80%	18.79%	18.52%	17.89%	16.47%	22.20%	19.29%	21.06%

Note: This schedule is presented to illustrate the requirement to show information for ten years.

However, until a full ten-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditors' report.

TOWN OF DIGHTON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
YEAR ENDED JUNE 30, 2022

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

	Year Ended June 30,					
	2022	2021	2020	2019	2018	2017
Total OPEB liability:						
Service cost	\$ 212,169	\$ 136,910	\$ 125,892	\$ 236,912	\$ 258,833	\$ 178,192
Interest	381,806	384,795	403,022	374,438	354,324	340,861
Difference between expected and actual plan experience	701,763	-	(717,533)	-	738,063	-
Changes in assumptions	1,355,774	1,254,004	(876,197)	(760,556)	-	-
Benefit payments	(289,600)	(268,018)	(242,205)	(197,678)	(180,427)	(177,877)
Net change in total OPEB liability	2,361,912	1,507,691	(1,307,021)	(346,884)	1,170,793	341,176
Total OPEB liability - beginning of year	7,203,268	5,695,577	7,002,598	7,349,482	6,178,689	5,837,513
Total OPEB liability - end of year (a)	<u>\$ 9,565,180</u>	<u>\$ 7,203,268</u>	<u>\$ 5,695,577</u>	<u>\$ 7,002,598</u>	<u>\$ 7,349,482</u>	<u>\$ 6,178,689</u>
Plan fiduciary net position:						
Contributions - employer	\$ 414,600	\$ 403,018	\$ 377,205	\$ 382,678	\$ 365,427	\$ 352,877
Net investment income	(251,330)	320,084	34,524	63,610	35,119	44,066
Benefit payments	(289,600)	(268,018)	(242,205)	(197,678)	(180,427)	(177,877)
Administrative expenses	-	-	-	-	-	-
Other	-	-	-	-	-	-
Net change in Plan fiduciary net position	(126,330)	455,084	169,524	248,610	220,119	219,066
Plan fiduciary net position - beginning of year (a)	1,729,546	1,274,462	1,104,938	856,328	636,209	417,143
Plan fiduciary net position - end of year (b)	<u>\$ 1,603,216</u>	<u>\$ 1,729,546</u>	<u>\$ 1,274,462</u>	<u>\$ 1,104,938</u>	<u>\$ 856,328</u>	<u>\$ 636,209</u>
Net OPEB liability - end of year (a) - (b)	<u>\$ 7,961,964</u>	<u>\$ 5,473,722</u>	<u>\$ 4,421,115</u>	<u>\$ 5,897,660</u>	<u>\$ 6,493,154</u>	<u>\$ 5,542,480</u>
Plan fiduciary net position as a percentage of the total OPEB liability	16.76%	24.01%	22.38%	15.78%	11.65%	10.30%
Covered payroll	\$ 6,167,163	\$ 5,756,093	\$ 5,588,440	\$ 4,880,140	\$ 4,612,325	\$ 4,600,000
Net OPEB liability as a percentage of covered payroll	129.10%	95.09%	79.11%	120.85%	140.78%	120.49%

Note: This schedule is presented to illustrate the requirement to show information for 10 years.

However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

See independent auditors' report.

TOWN OF DIGHTON, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
YEAR ENDED JUNE 30, 2022**

**SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS**

	Year Ended June 30,					
	2022	2021	2020	2019	2018	2017
Actuarially-determined contribution	\$ 575,100	\$ 382,196	\$ 451,303	\$ 631,295	\$ 602,210	\$ 540,658
Contributions in relation to the actuarially-determined contribution	(414,600)	(403,018)	(377,205)	(382,678)	(365,427)	(352,877)
Contribution deficiency (excess)	<u>\$ 160,500</u>	<u>\$ (20,822)</u>	<u>\$ 74,098</u>	<u>\$ 248,617</u>	<u>\$ 236,783</u>	<u>\$ 187,781</u>
Covered-employee payroll	\$ 6,167,163	\$ 5,756,093	\$ 5,588,440	\$ 4,880,140	\$ 4,612,325	\$ 4,600,000
Contribution as a percentage of covered payroll	6.72%	7.00%	6.75%	7.84%	7.92%	7.67%
Valuation Date	July 1, 2021					
Amortization Period	30 years					
Investment rate of return	5.86%					
Municipal Bond Rate	4.09%					
Single Equivalent Discount Rate	5.39%					
Inflation	2.50%					
Salary increases	3.00%					
Healthcare cost trend rates	SOA Getzen Model of Long-Run Medial Cost Trends: 8.00% in fiscal year 2022 decreasing annually to 4.77% in fiscal year 2030 and to 3.63% for 2060 and later					
Actuarial Cost Method	Individual Entry Age Normal (for all years presented)					
Asset Valuation Method	Market Value of Assets as of Reporting Date (for all years presented)					

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

	Year Ended June 30,					
	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	-14.01%	23.81%	2.90%	6.65%	4.83%	8.76%

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

See independent auditors' report.

TOWN OF DIGHTON, MASSACHUSETTS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual		Actual	Variance
	Original	Final	Budgetary		Budgetary	Positive
	Budget	Budget	Amounts	Encumbrances	Adjusted	(Negative)
REVENUES						
Real estate and personal property taxes, net	\$ 19,535,019	\$ 19,535,019	\$ 19,605,133	\$ -	\$ 19,605,133	\$ 70,114
Intergovernmental	909,638	909,638	959,598	-	959,598	49,960
Motor vehicle and other excises	1,283,392	1,283,392	1,597,996	-	1,597,996	314,604
License and permits	308,000	308,000	360,663	-	360,663	52,663
Departmental and other revenue	407,596	407,596	1,749,132	-	1,749,132	1,341,536
Penalties and interest on taxes	102,427	102,427	276,195	-	276,195	173,768
Fines and forfeitures	1,400	1,400	8,788	-	7,347	5,947
Investment income	6,601	6,601	7,115	-	7,636	1,035
Total Revenues	<u>22,554,073</u>	<u>22,554,073</u>	<u>24,564,620</u>	<u>-</u>	<u>24,563,700</u>	<u>2,009,627</u>
EXPENDITURES						
General government	2,277,034	2,303,738	1,891,005	181,710	2,072,715	231,023
Public safety	4,340,395	4,321,396	4,024,866	125,258	4,150,124	171,272
Education	12,337,706	12,342,265	12,276,315	-	12,276,315	65,950
Public works	2,594,567	2,586,852	2,369,532	257,443	2,626,975	(40,123)
Health and human services	472,734	472,735	393,163	-	393,163	79,572
Culture and recreation	369,089	369,088	313,296	14,000	327,296	41,792
State and county tax assessments	193,421	193,421	192,561	-	192,561	860
Pension and other fringe benefits	2,245,437	2,240,888	2,085,155	-	2,085,155	155,733
Debt service	386,344	386,344	386,343	-	386,343	1
Total Expenditures	<u>25,216,727</u>	<u>25,216,727</u>	<u>23,932,236</u>	<u>\$ 578,411</u>	<u>24,510,647</u>	<u>706,080</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	852,688	852,688	853,396		853,396	708
Transfers out	(525,000)	(525,000)	(539,226)		(539,226)	(14,226)
Total Other Financing Sources (Uses)	<u>327,688</u>	<u>327,688</u>	<u>314,170</u>		<u>314,170</u>	<u>(13,518)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE						
	<u>(2,334,966)</u>	<u>(2,334,966)</u>	<u>\$ 946,554</u>		<u>\$ 367,223</u>	<u>\$ 2,702,189</u>
Other Budgetary Items:						
Undesignated surplus (free cash)	1,621,158	1,621,158				
Prior year snow and ice deficit	(106,768)	(106,768)				
Other prior year deficit	(14,726)	(14,726)				
Other variance	(713)	(713)				
Prior year encumbrances	836,015	836,015				
	<u>\$ -</u>	<u>\$ -</u>				

See accompanying independent auditors' report.

See accompanying notes to required supplementary information.

TOWN OF DIGHTON, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2022

I. Budgetary Basis of Accounting

Budgetary Information – An annual budget is legally adopted for the General Fund. Financial orders are initiated by department heads, recommended by the Board of Selectmen and Finance Committee and approved by the Town Meeting members at the Town’s annual meeting in May. Expenditures may not legally exceed appropriations at the department level. Department heads may transfer, without Town meeting approval, appropriation balances from one expenditure account to another within each department. The Town Meeting, however, must approve any transfer of unencumbered appropriation balances between departments. At the close of each fiscal year, unencumbered appropriation balances lapse or reverts to unreserved fund balance.

The Town adopts an annual budget for the general fund in conformity with the guidelines described above. During fiscal year 2022, Town Meeting approved a minor amount of additional appropriations and transfers from the original approved budget.

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

Budgetary-to-GAAP Reconciliation – The Town’s general fund is prepared on a basis other than GAAP. A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2022, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 24,563,700
Stabilization investment income	\$ -	\$ 3,743	3,743
Unemployment trust investment income	-	221	221
Revenues on a GAAP basis	<u>\$ -</u>	<u>\$ 3,964</u>	<u>\$ 24,567,664</u>
Expenditures on a budgetary basis			\$ 23,932,236
Indirect costs treated as transfers for budget	\$ (25,527)	\$ -	(25,527)
Unemployment trust expenditures	-	1,608	1,608
Other postemployment benefit trust transfers	-	125,000	125,000
Expenditures on a GAAP basis	<u>\$ (25,527)</u>	<u>\$ 126,608</u>	<u>\$ 24,033,317</u>
Other financing sources (uses) on a budgetary basis			\$ 262,362
Stabilization transfers	\$ -	\$ 300,000	300,000
Other postemployment benefit trust transfers	-	125,000	125,000
Transfer recognition	51,100	-	51,100
Indirect costs treated as transfers for budget	(24,819)	-	(24,819)
Other financing sources (uses) on a GAAP basis	<u>\$ 26,281</u>	<u>\$ 425,000</u>	<u>\$ 713,643</u>