

**TOWN OF DRACUT, MASSACHUSETTS**

**Annual Comprehensive Financial Report**



**For the Fiscal Year Ended June 30, 2023**

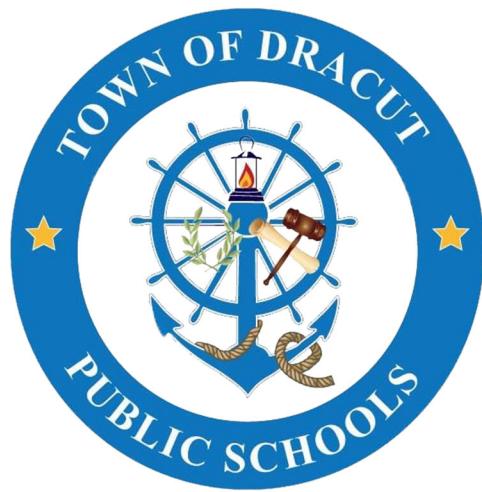
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# **Town of Dracut, Massachusetts**

## **Annual Comprehensive Financial Report**

**For the Fiscal Year Ended June 30, 2023**

**Ann M. Vandal, Town Manager**



**Prepared by the Finance Director's Office**

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Annual Comprehensive Financial Report  
For the Fiscal Year Ended June 30, 2023

**TABLE OF CONTENTS**

	<u>Page</u>
<b>INTRODUCTORY SECTION:</b>	
Transmittal Letter	3
Organizational Chart	12
Principal Town Officials	13
Certificate of Achievement	14
Geographic Location	15
<b>FINANCIAL SECTION:</b>	
<b>Independent Auditors' Report</b>	18
<b>Management's Discussion and Analysis</b>	22
<b>Basic Financial Statements:</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Position	37
Statement of Activities	39
<b>Fund Financial Statements:</b>	
<b>Governmental Funds:</b>	
Balance Sheet	41
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities in the Statement of Net Position	42
Statement of Revenues, Expenditures, and Changes in Fund Balances	43

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	44
<b>Proprietary Funds:</b>	
Statement of Net Position	45
Statement of Revenues, Expenses, and Changes in Net Position	46
Statement of Cash Flows	47
<b>Fiduciary Funds:</b>	
Statement of Fiduciary Net Position	48
Statement of Changes in Fiduciary Net Position	49
<b>Notes to the Financial Statements</b>	50
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
<b>Budget and Actual:</b>	
Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) – Budget and Actual – General Fund	97
Notes to the Required Supplementary Information for General Fund Budget	98
<b>Pension:</b>	
Schedule of Proportionate Share of the Net Pension Liability	99
Schedule of Pension Contributions	100
<b>OPEB:</b>	
Schedule of Changes in the Net OPEB Liability	101
Schedules of the Net OPEB Liability, Contributions, and Investment Returns	102

## **COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES**

### **Nonmajor Governmental Funds:**

Combining Balance Sheet – Nonmajor Governmental Funds	106
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	108

### **Nonmajor Enterprise Funds:**

Combining Statement of Net Position – Nonmajor Enterprise Funds	112
Combining Statement of Revenues, Expenses, and Changes in Net Position – Nonmajor Enterprise Funds	113
Combining Statement of Cash Flows – Nonmajor Enterprise Funds	114

## **STATISTICAL SECTION:**

### **Financial Trends:**

Net Position by Component – Last Ten Fiscal Years	118
Changes in Net Position – Last Ten Fiscal Years	119 – 120
Fund Balances, Governmental Funds – Last Ten Fiscal Years	121
Changes in Fund Balances, Governmental Funds – Last Ten Fiscal Years	122

### **Revenue Capacity:**

Assessed Value of Taxable Property by Classification – Last Ten Fiscal Years	123
Principal Taxpayers – Current Year and Nine Years Ago	124
Property Tax Levies and Collections – Last Ten Fiscal Years	125

### **Debt Capacity:**

Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	126
Direct and Overlapping Governmental Activities Debt – As of June 30, 2023	127
Legal Debt Margin Information – Last Ten Fiscal Years	128

**Demographic and Economic Information:**

Demographic and Economic Statistics – Last Ten Fiscal Years	129
Principal Employers – Current Year and Nine Years Ago	130

**Operating Information:**

Government Employees by Function – Full Time Equivalents – Last Ten Fiscal Years	131
Operating Indicators by Function – Last Ten Fiscal Years	132
Capital Asset Statistics by Function – Last Ten Fiscal Years	133

## INTRODUCTORY SECTION



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Town of *Dracut*  
MASSACHUSETTS

December 28, 2023

To Members of the Board of Selectmen and Citizens of the Town of Dracut:

At the close of each fiscal year, State Law requires the Town of Dracut (the Town) to publish a complete set of financial statements presented in conformance with Generally Accepted Accounting Principles (GAAP), and in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to the requirement, we hereby issue the Annual Comprehensive Financial Report (ACFR) of the Town of Dracut, Massachusetts, for the fiscal year ending June 30, 2023 for your review.

This report consists of management's representations concerning the finances of the Town of Dracut. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in the report. To provide a reasonable basis for making these representations, management of the Town of Dracut has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient information for the preparation of the Town of Dracut's financial statements in conformity with GAAP.

Because the cost of internal controls should not outweigh their benefits, the Town of Dracut's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements for the fiscal year ending June 30, 2023, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The Town of Dracut's financial statements have been audited by MARCUM Financial Advisors, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Dracut for fiscal year ending June 30, 2023, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, the Town's financial statements for fiscal year ending June 30, 2023, are fairly presented in conformity with GAAP.

The independent audit of the financial statements of the Town of Dracut was part of a broader, federally mandated “Single Audit” designed to meet the special needs of the federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements of federal awards. These reports are available on the Town of Dracut’s separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement that analysis and should be read in conjunction with it. The Town of Dracut’s MD&A can be found immediately following the report of the independent auditors.

### **Profile of the Town of Dracut**

Dracut, incorporated in 1701, is governed by an open town meeting and a five-member Board of Selectmen. The Town is located in northeastern Middlesex County, about 28 miles north of Boston. It is bordered on the north by Pelham, New Hampshire, on the east by Methuen, Massachusetts, on the south by Lowell and Tewksbury, Massachusetts and on the west by Tyngsborough, Massachusetts. The Town occupies a land area of 20.84 square miles.

Local legislative decisions are made by an open town meeting. Subject to the legislative decisions made by the town meeting, the affairs of the Town are generally administered by a board of five selectmen who are elected on an at-large basis for staggered three-year terms. The operations of the Town are under the direction of a Town Manager appointed by the Board of Selectmen. Local school affairs are administered by an elected school committee of five persons while local taxes are assessed by a board of three assessors all appointed on an at-large basis for staggered three-year terms.

The Town provides general governmental services for the territory within its boundaries including police and fire protection, disposal of rubbish, public education in grades K to 12, sewer services, streets, parks and recreation. Water services are provided by the Town and the Dracut Water Supply District.

The Dracut Housing Authority provides housing for eligible low-income families and handicapped persons. The Greater Lowell Regional Vocational School District provides vocational training for students in grades 9-12.

Many of the Town’s open space areas, ponds, and wetlands have been protected and preserved for present and future residents. Among the protected in no particular order are: Ogonowski Farm Tranquility Trail, Long Pond, Lake Mascuppic, Dracut/Tyngsboro State Forest, Dunlap Sanctuary, The Yapp Farm, Beaver Brook (Richardson) Farm, Leczynski Farm, Proprietor’s Way, Dillon-McAnespie Park, Veteran’s Park, Beaver Brook Farm, and Monahan Park.

The School Committee comprises a five-member elected board. Each member serves a staggered three-year term. The School Committee has the authority to appoint the Superintendent and establish educational goals. The Town is also a member of the Greater Lowell Regional School District, which provides vocational education to residents. Dracut has been fortunate to have been able to complete the construction of a new Junior High School and Dracut Senior High School over the past 15 years.

An annual operating budget is approved by Town Meeting at the annual spring Town Meeting each year and if needed at the annual fall Town Meeting. The annual budget serves as the foundation for the Towns and School Departments financial planning and control. The Town's General Fund budget is prepared by function and managed by each respective department manager. Capital projects and special articles are also approved at Town Meeting. The Town Manager is the Chief Administrative Officer of the Town and is responsible for preparation, submission and implementation of the annual budget.

### **Factors Affecting Economic Conditions**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Town of Dracut operates.

### **Local Economy**

The Town is situated to provide ready access to the Lowell and Boston metropolitan areas to the south, the Atlantic seacoast to the east and the mountains and lakes of New England to the north. There is an abundance of recreational, healthcare, and educational institutions within an hour or less drive. The Town is located near interstates 93 and 495, which cater to a number of regional employment centers. The community itself is primarily residential with a recent increase in the commercial and industrial districts.

The Town's household incomes are strong compared with national medians. The 2022 median household income in Dracut is \$102,500. Unemployment in the community was 3.2% in 2022, down from 6.6% in 2013.

As a result of the hard work of the administration, the Town certified \$355K in new growth for fiscal year 2024. As we enter CY2024 we are starting to see a downturn in residential construction throughout the community; zoning changes to combine lots to provide achievable business opportunities and somewhat of an uptick in construction of commercial/industrial type developments, including a new storage facility off Loon Hill Road, the redevelopment of the intersection of Arlington and Bridge. We will soon see a new Wendy's, J&J Heating and other retail businesses/shops in the new buildings proposed that will result in new growth revenue, the most important piece of our economic stability. The Town has and continues to budget revenues cautiously and departments have responded well to our call for even more conservancy with respect to budget expenditures. It is imperative that the Town continue to cautiously budget

revenues, as a significant amount of cannabis revenue does have a sunset clause. The Town may be faced with a major change in the collection and disbursement of the Cannabis Impact Fee assessed to all cannabis establishments. The Cannabis Control Commission has adopted new regulations that will place a severe hardship on many communities that have negotiated Host Agreements in good faith and are now possibly facing a significant reduction in collections.

The Town has also struggled to meet the requirement of Net School Spending (NSS) due to a much-needed amended formula. There is no denying that education is as important as our public safety divisions. As we prepare the FY25 budget we are faced with a possible \$2.2M deficit that is primarily due to the tweaking of the formula and inflation. Unfortunately, when the formula was revised it did not take inflation into consideration. The revenue piece of it was not adjusted to meet the needs of the communities and therefor the Town was forced and continues to be forced to find a solution to raising the revenues to support the NSS requirement.

Going forward the Town will closely monitor the economy and make necessary adjustments to its budget lines and estimated revenues. Fiscal year 2024 has been a challenging one in many areas, our finances are no exception. For FY2025 the revenues will be the key to our success but it is shaping up to be a year of major cuts and less revenues resulting in service interruptions. We will have more solid #'s when the State releases the preliminary cherry sheets.

The town has been very aggressive with the use of American Rescue Plan Act (ARPA) and have been investing the dollars into infrastructure, equipment, and roadway improvements. We have also used some of the funds to repair/replace HVAC systems at the Library, Police Department and Fire Department buildings.

The Town has four Tax Increment Financing (TIF) agreements, which have helped the local economy and employment for Dracut. The four TIF agreements have worked well for the Town, and they are expected to expire FY2027-FY2030.

### **Long-Term Financial Planning**

The Town continues to manage its financial affairs in a prudent manner as is demonstrated by its Standard and Poor's improved rating of AA. Town management made a concerted effort to focus on the improvement of the Towns bond rating and did so by improving our reserve position, developing and implementing various policies and procedures and meeting our goals with respect to reserves, investments and debt management. The Town's financial actions are generally guided by long-range planning for long-term liabilities. The Town strives to prioritize spending, refrain from use of free cash or one-time revenues to balance annual budgets, and follow municipal best practices.

The Town currently manages \$60 million in long-term and short-term debt. As a benchmark, the Town strives to limit the total annual debt payments to an amount that is no more than ten percent of the General Fund Budget. The ratio in Fiscal Year 2024 is approximately 6%. Both

enterprise funds and the Community Preservation Fund appropriate annual debt service in their respective budgets.

The Town's main source of revenue is property taxes which is capped by Proposition 2 ½ and can be overridden only by a majority vote at a Town election. The tax rate has averaged \$12.13/\$1,000 of assessed value over the past five years. The tax rate for Fiscal Year 2024 has been certified at \$10.45/\$1,000. State Aid is an important part of Town revenues, it represents approximately 30% of the Town's revenue budget. Chapter 70 and State Aid did see an increase in fiscal year 2024 about 11.7% higher than fiscal year 2023. The Town has and continues to be conservative with estimating local revenues. Local revenues are economically driven, if the overall economy is good, the Town will recognize higher collections in excise tax, permitting fees, meals taxes and other areas of the revenue budget.

Tax bills are generated quarterly by the Assessing and Tax Departments. The Town Treasurer is the custodian and depository of all Town funds; reconciliation of cash is the most important task. The Treasurer also manages the payroll, employee benefits, retirement administration, the Town's debt obligations/needs and other duties and responsibilities as dictated in various Chapters of Massachusetts General Laws including but not limited to Chapters 44, 41, 32, 149, etc.

### **Annual Budget Process**

In accordance with the Town Charter, at least four months before the start of the fiscal year, the Town Manager shall submit to the Finance Committee a proposed budget for the ensuing fiscal year with an accompanying budget message and supporting documents. They shall simultaneously provide for the publication of the proposed budget on the Town's official website and for the publication in a local newspaper of a general summary of the proposed budget and a notice stating the times and places where complete copies of his proposed budget shall be available for examination by the public. After deliberations and review the committee will report its recommendations at Town Meeting.

Town Meeting vote provides for lump sum appropriations for education components as well as Town operations, specifically Town Manager and Superintendent of Schools authority to pay all salaries, wages, expenses and transfers.

### **Relevant Financial Policies**

Town management is responsible for establishing and maintaining an internal control structure designed to protect the assets of the Town from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The Finance Director and Town Manager are responsible for evaluating the adequacy and effectiveness of internal control structures and implementing improvement.

The Town has adopted comprehensive policies and procedures. The Fund Balance Policy was created in consideration of unanticipated events that could adversely affect the financial condition of the Town and jeopardize the continuation of necessary public services. This policy will ensure that the Town maintains adequate fund balances and reserves in order to: provide sufficient cash flow for daily financial needs; secure and maintain investment grade bond ratings; offset significant economic downturns or revenue shortfalls and provide funds for unforeseen expenditures related to emergencies.

Other topics that are represented in our Financial Policies include: Reserve Fund Policy; Capitalization Policy; Procurement Policy; Investment Policy; Debt Policy; Fraud Policy; Receipt Policy; Red Flag Policy; Post-Issuance Tax Compliance Procedures and OPEB Policy. All of these policies are available for review and are updated as changes in the world of municipal finance evolves.

The Treasurer is responsible for transferring funds into various depository accounts at bank institutions. Short-term funds are transferred to various banks and financial institutions to obtain the highest competitive return. The Treasurer maintains adequate cash on hand to pay invoices and fund payroll on a weekly basis.

Cash flow requirements are continuously evaluated to determine the amount of money that can be invested for a longer term and thus, yield a higher return on investments. Maturities on various investments vary based on cash flow projections. With the increase in free cash the Town is able to begin to be slightly more aggressive and flexible with the terms of its investments.

### **Major Initiatives and Accomplishments**

The Town with the partnership of the Coalition for a Better Acre completed the rehabilitation of a schoolhouse and turned it into Veterans' housing. There are 9 units and Dracut residents will be given preference.

The Town has a project management team comprised of the Town Manager, Assistant Town Manager, Community Development Director, DPW Director, Assistant DPW Director, Engineer, Water/Sewer Superintendent, Conservation Director, and Recreation Director that meets monthly to discuss current and upcoming projects. This team strategizes on ways to secure grants and other funds for these project initiatives.

The Town has been very successful with the application and receipt of many grants. The application and implementation timeline for most of these grants can be daunting but our Department Heads and Boards and Commissions persist on applying to improve our economy and address some projects that need attention and would not be possible without outside funding. Some examples of grant funds spent in FY2023:

Grant Name	Purpose	Amount
ARPA Funds	Infrastructure/Equipment	\$ 1,670,000
ESSER Grant	Schools	\$ 1,300,000
Winter Road Recovery	DPW	\$ 407,000
Green Communities	Building Improvements	\$ 66,000
Elder Grant	COA	\$ 64,000
IT Earmark Funds	Town IT	\$ 50,000
Traffic Safety Improvement	DPW	\$ 50,000
EV Charging Stations	Town Electric Vehicle	\$ 41,000
Fire Equipment Earmark	Fire	\$ 30,000
Public Safety Earmark	Police	\$ 22,000
Fire Equipment	Fire	\$ 15,000
Fire HAZMAT	Fire	\$ 11,000
Safety Grant	Training	\$ 10,000

With grants comes responsibility, we must monitor and ensure all guidelines, reporting and expenditures are handled properly. We will continue to search for and apply for grants if it is a good decision for the Town. In some cases we simply do not qualify and in others we do not possess the required structure to manage. The Town does not have a grant writer, the process for all grants is completed by various department heads. This being the case we are limited to which grants can be managed by the departments on top of all their other responsibilities. In order for the Town to improve its economy, infrastructure, quality of life and investment in town services, we must invest in our ability to produce and perform.

In an effort to digitize and improve our service delivery within the Department of Public Works, we have introduced an application that provides immediate access to job orders. As we implement the program, the goal is to allow the public a resource to report issues such as potholes, tree limbs, etc. We will expand on the system as time and resources allow.

In an effort to improve the Town's Commercial/Industrial tax base as well as provide job opportunities for residents, the administration continues its mission to create opportunities that will attract quality businesses to the community.

The Town's last master plan was completed in 1999. The Plan, prepared by John Brown Associates, Inc. was not adopted by the Dracut Planning Board. Several members of the Dracut Planning Board cited inconsistencies and errors that resulted in their lack of endorsement of the Plan.

The Master Plan Committee completed its work and has updated the Plan. It acknowledges that the Town is in a new cycle of development- primarily residential development. Additionally, in many commercially zoned locations, redevelopment - rebuilding in place- is occurring. Redevelopment is anticipated to change the commercial nodes within the community, as well as Dracut's neighborhoods and open spaces. Between new residential development and redevelopment of commercial areas, the look and feel of the community is bound to change.

This Master Plan effort took a comprehensive look at how Dracut is changing and aims to gather updated factual information for all master plan chapters in order to ultimately be able to make recommendations on where the Town should be going. The Plan is not intended to provide a detailed blueprint for the future, rather it is intended to provide strategic direction for those who will make decisions about the new development, both new construction and redevelopment of existing structures within Dracut.

This Master Plan will consider all master plan chapters as designated in MGL, Chapter 41, Section 81. These chapters include: goals and objectives; housing and their neighborhoods, land use, economic development, transportation and circulation; open space and recreation; historic and cultural resources; natural resources; municipal facilities, including services and infrastructure; and an action plan for the governance of development and municipal policies.

For fiscal year 2022 the Town appropriated funding from Free Cash to re-write both the Zoning Bylaw and the General Bylaw. Both documents take considerable time to draft, this project could take up to two years. The goal is to update both documents in line with the Master Plan.

To date the Zoning Bylaw Review Committee (ZBRC) has completed 2 stints of changes at Town Meeting. The first Town Meeting approved the re-codification of the bylaw and the most recent Town Meeting approved many changes relating to the combining of zones, clarified confusing text, strategically re-zoned areas that will assist with economic development, and addressed any lingering housekeeping issues.

We have now shifted our focus to the implementation of the MBTA zoning requirements. This legislation and new Mass. General Law requires the town to have at least one zoning district in which multifamily housing is permitted as of right. The Governor's office created this law because eastern Massachusetts has a housing shortage. Every community in Massachusetts is responsible for addressing this problem. The law ensures that we, along with 176 other communities, are working to address it simultaneously. At the end of the day, we are required to create a zoning district (overlay) of at least 50-85 acres where 1,233 units, could be built by right in three-family or larger homes. The details on this can be found on the Town's website at <https://www.dracutma.gov/836/MBTA-Communities-Zoning>. The Town is required to meet the goals of the law, failure to do so will result in the loss of significant funds we currently receive including Chapter 90 (Roadway construction), Safe Streets, Mass Works, to name a few.

### **Financial Reporting Awards**

The Town of Dracut has received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada (GFOA) for its ACFR for the last four fiscal years. In order to receive this prestigious award the report must be easily readable and efficiently organized, the contents must conform to program standards, and it must satisfy both generally accepted accounting principles and applicable legal requirements. The award is presented to government units and public employee retirement

systems whose ACFRs achieve the highest standards in government accounting and financial reporting.

The Certificate of Achievement is valid for a period of one year only. We believe that this ACFR conforms to the standards required for the certificate and will be submitting it to the GFOA for review.

### **Acknowledgements**

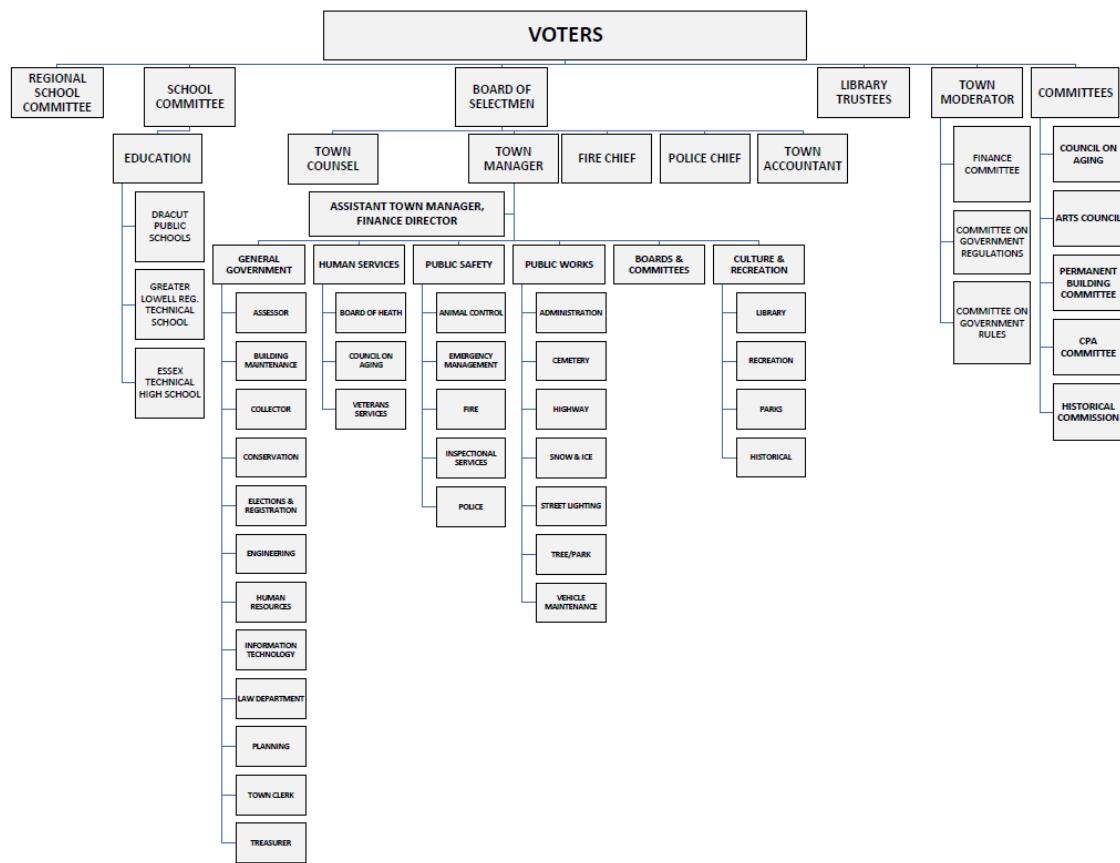
This report represents the collective efforts of Town Management, the Board of Selectmen and the accounting firm of Marcum Financial Advisors. The publication of the Annual Comprehensive Financial Report represents an important achievement for the Town of Dracut. The report contains enhanced financial information for citizens, elected and appointed officials, and investors.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ann Vandal".

Ann M. Vandal  
Town Manager

## Town of Dracut, Massachusetts Organizational Chart



**Town of Dracut, Massachusetts**

**Principal Town Officials**

<b>Board/Title</b>	<b>Name</b>	<b>Term</b>
<b>Elected Officials</b>		
Board of Selectmen	Tony Archinski	2025
Board of Selectmen	Joseph DiRocco, Jr.	2024
Board of Selectmen	Alison Genest	2026
Board of Selectmen	Jennifer Kopcinski	2025
Board of Selectmen	Heather Santiago-Hutchings	2026
School Committee	Rob Sheppard	2024
School Committee	Rebecca Duda	2024
School Committee	Linda Trouville	2025
School Committee	Allison Volpe	2025
School Committee	Renee Young	2026
<b>Principal Executive Officers</b>		
Town Manager	Ann Vandal	Indefinite
Superintendent of Schools	Steven Stone	Indefinite
Town Counsel	David Deluca	Indefinite
Assistant Town Manager/Finance Director	Victor Garofalo	Indefinite
Police Chief	Peter Bartlett	Indefinite
Fire Chief	Rich Patterson	Indefinite
Public Works Director	Edward Patenaude	Indefinite
Town Clerk	Jayne Boissonneault	Indefinite
Town Accountant	Victor Garofalo	2024
Chief Assessor	Karen Golden	2024
Tax Collector	Colleen Merrill	Indefinite
Human Resource Director	Sabrina Vozzella	Indefinite
Recreation Director	Amy Hamilton	Indefinite
Planning/Community Development	Alisson Manugian	Indefinite
Building Inspector	Daniel McLaughlin	Indefinite
Town Engineer	Vacant	Indefinite
Sewer/Water Superintendent	Marguerite Hoover	Indefinite
Health Agent	David Oullette	Indefinite
Council on Aging Director	Noelle Kaelblein	Indefinite
Veteran's Agent	Jerome Thomas	Indefinite
Library Director	Christine Muir	Indefinite



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Town of Dracut  
Massachusetts**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2022

*Christopher P. Morill*

Executive Director/CEO

**Town of Dracut, Massachusetts**

**Geographic Location**



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## **FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen  
**Town of Dracut, Massachusetts**

### Report on the Audit of the Financial Statements

#### *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 Dracut, Massachusetts (the Town), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

#### *Basis for Opinions*

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

#### *Responsibilities of Management for the Financial Statements*

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

## ***Required Supplementary Information***

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

## ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## ***Other Information***

Management is responsible for the other information included in the Annual Comprehensive Financial Report (ACFR). The other information comprises the introductory and statistical sections but does not include the financial statements and our auditors' report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2023 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

*Marcum LLP*

Andover, MA  
December 28, 2023

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### A. Overview of the Financial Statements

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

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

The Statement of Activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, education, public works, health and human services, culture and recreation, and debt service interest on long-term debt. The business-type activities are comprised of sewer, water and stormwater management operations, as well as PEG access services.

### ***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The Town's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

#### ***Governmental Funds***

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Reconciliations are provided to facilitate this comparison between governmental funds and governmental activities.

The Town maintains several individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Town Grants Fund, and the Community Preservation Fund. Information from all other governmental funds is combined into a single, aggregated, presentation as nonmajor governmental funds. Individual fund information for nonmajor governmental funds is provided in the form of combining statements that can be located on pages 106 – 109 of this report.

An annual appropriated budget is adopted for the General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget. This can be found in the Required Supplementary Information section of this report.

#### ***Proprietary Funds***

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

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met: (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, and (3) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs such as depreciation or debt service. The primary

focus on these criteria is on fees charged to external users. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. Specifically, enterprise funds are used to account for sewer, water, stormwater management, and PEG access operations.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the sewer, water, stormwater management, and PEG access operations. Sewer operations are considered to be a major fund while water operations, stormwater management operations, and PEG access operations are reported as nonmajor funds.

### ***Fiduciary Funds***

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

### ***Notes to 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.

### ***Required/Other Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America. Furthermore, other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

## **B. Financial Highlights**

- As of the close of the current fiscal year, net position in governmental activities was \$(80,797,924), a change of \$(264,441), and net position in business-type activities was \$51,113,710, a change of \$1,690,958, as further discussed in Section C.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$36,933,878, a change of \$1,242,425 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$10,950,097, a change of \$937,727 in comparison to the prior year.

## C. Government-Wide Financial Analysis

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

	NET POSITION					
	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Assets</b>						
Current and other assets	\$ 55,126,525	\$ 49,889,869	\$ 8,775,926	\$ 8,084,405	\$ 63,902,451	\$ 57,974,274
Capital assets	<u>158,439,977</u>	<u>158,571,289</u>	<u>70,671,885</u>	<u>72,734,668</u>	<u>229,111,862</u>	<u>231,305,957</u>
Total assets	213,566,502	208,461,158	79,447,811	80,819,073	293,014,313	289,280,231
<b>Deferred Outflows of Resources</b>						
Related to pension	10,355,301	6,867,796	165,171	98,927	10,520,472	6,966,723
Related to OPEB	<u>8,958,314</u>	<u>13,461,759</u>	<u>55,597</u>	<u>83,548</u>	<u>9,013,911</u>	<u>13,545,307</u>
Total deferred outflows of resources	19,313,615	20,329,555	220,768	182,475	19,534,383	20,512,030
<b>Liabilities</b>						
Current liabilities	19,005,994	15,413,246	3,329,433	3,641,063	22,335,427	19,054,309
Noncurrent liabilities	<u>264,031,732</u>	<u>251,284,114</u>	<u>24,956,570</u>	<u>27,523,787</u>	<u>288,988,302</u>	<u>278,807,901</u>
Total liabilities	283,037,726	266,697,360	28,286,003	31,164,850	311,323,729	297,862,210
<b>Deferred Inflows of Resources</b>						
Related to pension	2,779,288	10,541,754	44,332	151,850	2,823,620	10,693,604
Related to OPEB	25,839,552	30,414,620	160,369	188,764	25,999,921	30,603,384
Related to leases	2,021,475	1,670,462	-	-	2,021,475	1,670,462
Other	-	-	64,165	73,332	64,165	73,332
Total deferred inflows of resources	30,640,315	42,626,836	268,866	413,946	30,909,181	43,040,782
<b>Net Position</b>						
Net investment in capital assets	121,357,451	119,318,802	44,879,181	43,624,931	166,236,632	162,943,733
Restricted	<u>16,616,477</u>	<u>15,436,228</u>	<u>-</u>	<u>-</u>	<u>16,616,477</u>	<u>15,436,228</u>
Unrestricted	<u>(218,771,852)</u>	<u>(215,288,513)</u>	<u>6,234,529</u>	<u>5,797,821</u>	<u>(212,537,323)</u>	<u>(209,490,692)</u>
Total net position	<u>\$ (80,797,924)</u>	<u>\$ (80,533,483)</u>	<u>\$ 51,113,710</u>	<u>\$ 49,422,752</u>	<u>\$ (29,684,214)</u>	<u>\$ (31,110,731)</u>

As noted earlier, net position may serve over time as a useful indicator of the Town's financial position. At the close of the most recent fiscal year, total net position was \$(29,684,214), a change of \$1,426,517 in comparison to the prior year.

The largest portion of net position, \$166,236,632, reflects our investment in capital assets (e.g., land, construction in progress, buildings and improvements, machinery, equipment, furnishings, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$16,616,477, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit of \$(212,537,323) primarily resulting from unfunded pension and OPEB liabilities.

The following is a summary of condensed government-wide statement of changes in net position financial data for the current and prior fiscal year:

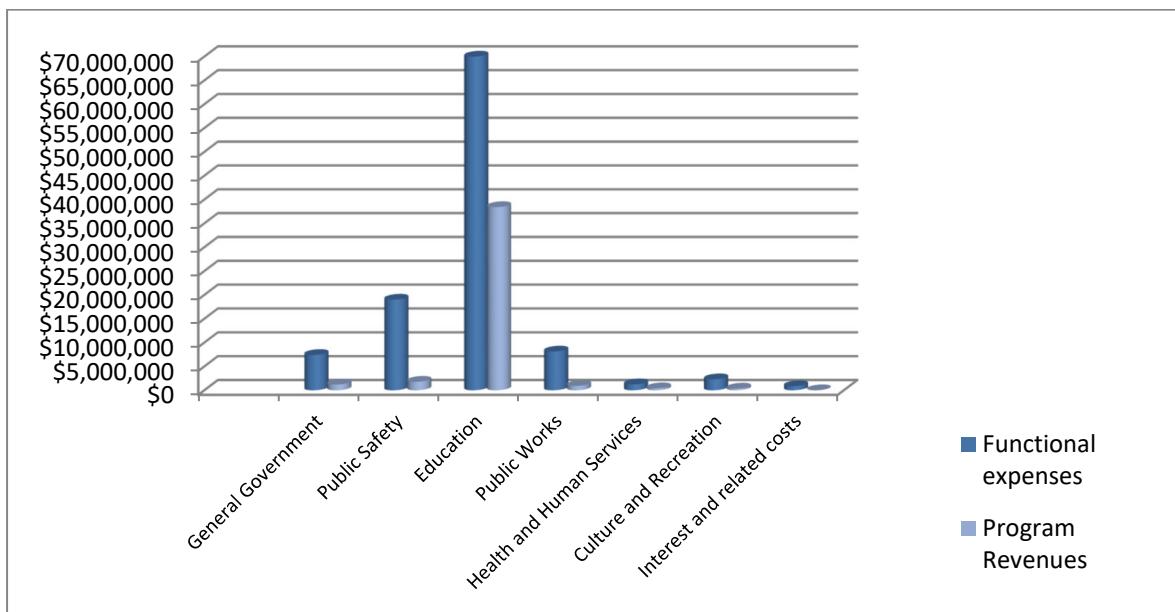
	CHANGE IN NET POSITION					
	Governmental Activities		Business-Type Activities		Total	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 3,415,425	\$ 3,524,872	\$ 9,983,883	\$ 9,547,895	\$ 13,399,308	\$ 13,072,767
Operating grants and contributions	39,689,389	37,080,764	-	-	39,689,389	37,080,764
Capital grants and contributions	241,366	-	55,500	70,305	296,866	70,305
General revenues:						
Property taxes	58,192,965	56,175,542	-	-	58,192,965	56,175,542
Excises	5,336,775	4,964,507	-	-	5,336,775	4,964,507
Penalties, interest, and other taxes	3,549,305	3,419,757	-	-	3,549,305	3,419,757
Grants and contributions not restricted to specific programs	6,000,660	4,271,321	-	-	6,000,660	4,271,321
Investment income (loss)	980,407	(431,267)	101,911	52,964	1,082,318	(378,303)
Miscellaneous	<u>553,382</u>	<u>1,300,391</u>	<u>-</u>	<u>-</u>	<u>553,382</u>	<u>1,300,391</u>
Total revenues	<u>117,959,674</u>	<u>110,305,887</u>	<u>10,141,294</u>	<u>9,671,164</u>	<u>128,100,968</u>	<u>119,977,051</u>
<b>Expenses</b>						
General government	7,401,796	8,068,345	-	-	7,401,796	8,068,345
Public safety	18,998,928	17,502,016	-	-	18,998,928	17,502,016
Education	78,900,402	71,317,145	-	-	78,900,402	71,317,145
Public works	8,128,224	9,598,638	-	-	8,128,224	9,598,638
Health and human services	1,243,742	1,108,045	-	-	1,243,742	1,108,045
Culture and recreation	2,301,852	2,267,413	-	-	2,301,852	2,267,413
Debt service interest	856,343	1,258,766	-	-	856,343	1,258,766
Sewer operations	-	-	6,240,329	5,919,068	6,240,329	5,919,068
Water operations	-	-	1,581,297	1,552,309	1,581,297	1,552,309
Stormwater operations	-	-	487,354	454,722	487,354	454,722
PEG access operations	-	-	534,184	302,674	534,184	302,674
Total expenses	<u>117,831,287</u>	<u>111,120,368</u>	<u>8,843,164</u>	<u>8,228,773</u>	<u>126,674,451</u>	<u>119,349,141</u>
Change in net position before transfers	<u>128,387</u>	<u>(814,481)</u>	<u>1,298,130</u>	<u>1,442,391</u>	<u>1,426,517</u>	<u>627,910</u>
Transfers in (out)	<u>(392,828)</u>	<u>(669,700)</u>	<u>392,828</u>	<u>669,700</u>	<u>-</u>	<u>-</u>
Change in net position	<u>(264,441)</u>	<u>(1,484,181)</u>	<u>1,690,958</u>	<u>2,112,091</u>	<u>1,426,517</u>	<u>627,910</u>
Net position - beginning of year	<u>(80,533,483)</u>	<u>(79,049,302)</u>	<u>49,422,752</u>	<u>47,310,661</u>	<u>(31,110,731)</u>	<u>(31,738,641)</u>
Net position - end of year	<u>\$ (80,797,924)</u>	<u>\$ (80,533,483)</u>	<u>\$ 51,113,710</u>	<u>\$ 49,422,752</u>	<u>\$ (29,684,214)</u>	<u>\$ (31,110,731)</u>

### ***Governmental Activities***

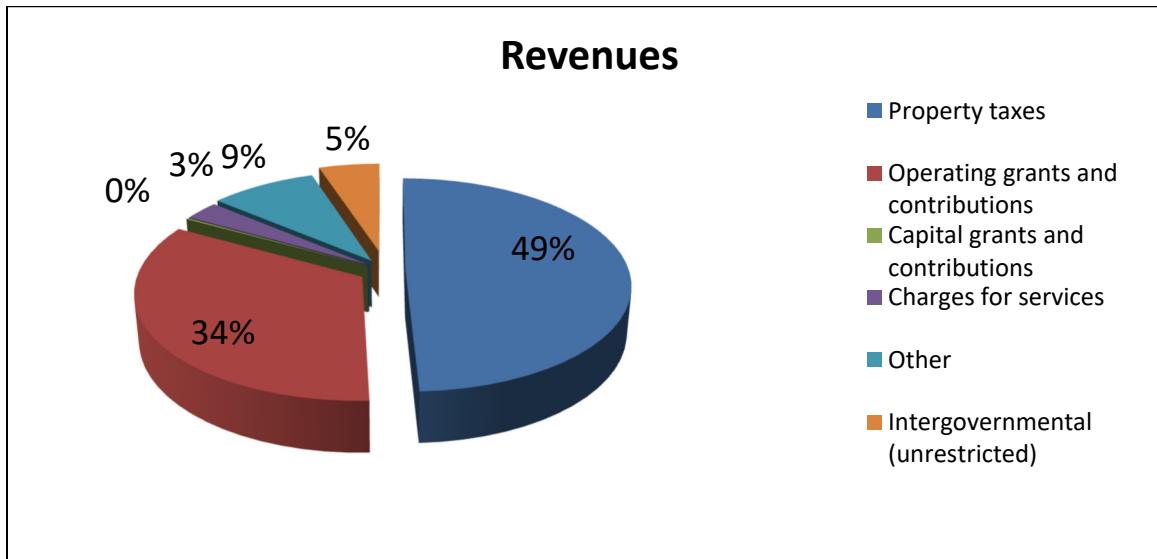
Governmental activities for the year resulted in a change in net position of \$(264,441). Key elements of this change are as follows:

General Fund revenues in excess of expenditures	\$ 4,313,360
Community Preservation Fund revenues in excess of expenditures	1,062,771
Increase in net pension liability, net of related deferrals	(1,360,030)
Increase in net OPEB liability, net of related deferrals	(3,488,872)
Other	<u>(791,670)</u>
<b>Total</b>	<b>\$ <u>(264,441)</u></b>

The following graph displays governmental activities functional expenses and program revenues:

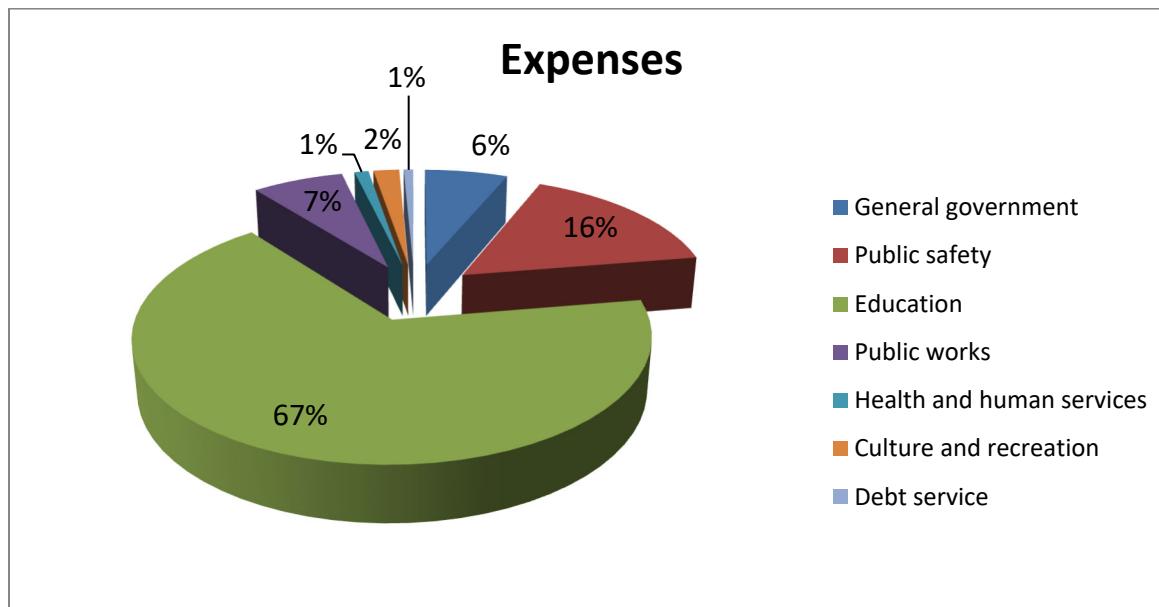


Significant sources of governmental activities revenues consist of:



- (1) *Property taxes* – represented approximately 49.33% of total fiscal year 2023 governmental activity revenues, an increase of \$2,017,423 over the prior year as a result of new growth in the tax base and Proposition 2½ limitations.
- (2) *Operating grants and contributions* – represented approximately 33.65% of the total fiscal year 2023 governmental activity revenues, an increase of \$2,608,625 compared to the prior year. This increase is mainly attributable to the increase in school funding.

Significant expenses in governmental activities expenses consist of:



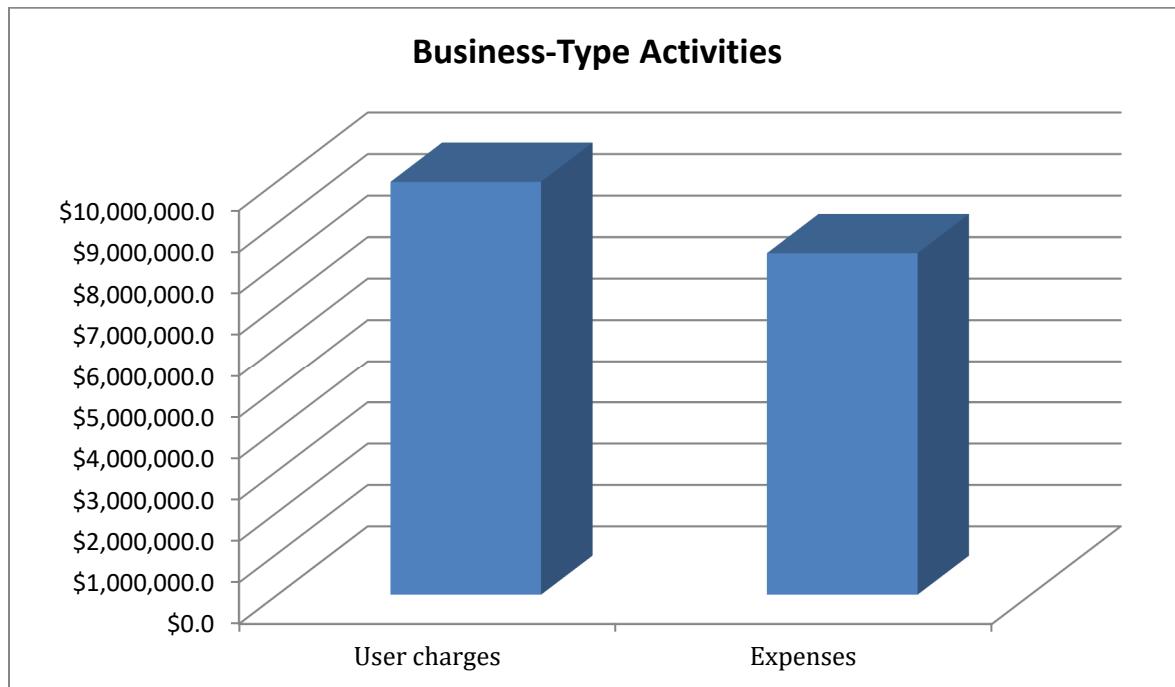
(1) *Education* – the continued education and development of the Town's youth continues to be an area in which the Town devotes substantial resources. Costs in this critical area represent the area of largest distribution for the Town, as approximately 66.96% of total fiscal year expenses related to education. Education expenses increased from the prior year due to planned budgetary increases as well as additional COVID-19 related grants.

(2) *Public safety* – the safety and well-being of the Town's residents continues to be a critical funding area; public safety expenses increased by \$1,496,912 and represents 16.12% of the Town's governmental expenses in fiscal year 2023.

***Business-Type Activities***

Business-type activities for the year resulted in a change in net position of \$1,690,958. Key elements of the change are as follows:

	<u>Revenues</u>	<u>Expenses</u>	<u>Transfers In (Out)</u>	Change in <u>Net Position</u>
Sewer fund	\$ 7,572,240	\$ 6,240,329	\$ -	\$ 1,331,911
Water fund	2,001,793	1,581,297	-	420,496
Stormwater fund	18,494	487,354	250,716	(218,144)
PEG Access fund	<u>548,767</u>	<u>534,184</u>	<u>142,112</u>	<u>156,695</u>
Total	<u>\$ 10,141,294</u>	<u>\$ 8,843,164</u>	<u>\$ 392,828</u>	<u>\$ 1,690,958</u>



Net position of the Sewer Fund and nonmajor enterprise funds changed by approximately 3% and 13%, respectively. This is primarily driven by planned budgetary increases to user fees in the sewer fund and water expenses coming in lower than originally anticipated.

#### **D. Financial Analysis of the Town's Funds**

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

##### ***Governmental Funds***

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$36,933,878, a change of \$1,242,425 in comparison to the prior year. The change primarily results from Community Preservation Fund revenue exceeding project expenditures.

##### ***General Fund***

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 \$10,950,652, while total fund balance was \$16,978,097. The unassigned fund balance increased by \$937,727 primarily from favorable budgetary results of \$4,383,127 less free cash of \$3,434,000 used for the fiscal year 2024 capital budget and feasibility study. 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 General Fund expenditures, as illustrated in the table below:

<u>General Fund</u>	<u>6/30/23</u>	<u>6/30/22</u>	<u>Change</u>	<u>% of Total General Fund Expenditures*</u>
Unassigned fund balance <sup>1</sup>	\$ 10,950,652	\$ 10,012,925	\$ 937,727	11.71%
Total fund balance <sup>2</sup>	\$ 16,978,097	\$ 17,015,989	\$ (37,892)	18.15%

<sup>1</sup> Includes general stabilization account

<sup>2</sup> Includes all stabilization accounts

\*Expenditure amounts used to calculate the above percentages have been adjusted to exclude the on-behalf payment from the Commonwealth of Massachusetts to the Massachusetts Teachers Retirement System of \$5,527,678.

The total fund balance of the General Fund changed by \$(37,892) during the current fiscal year. Key factors in this change are as follows:

Use of fund balance as a funding source	\$ (4,732,625)
Revenues and transfers in greater than budget	3,709,237
Expenditures less than budget	738,117
Change in stabilization accounts	516,648
Current year encumbrances less than expenditures of prior year encumbrances	<u>(269,269)</u>
Total	\$ <u>(37,892)</u>

The budgetary revenue surplus is mainly due to excess intergovernmental revenues along with new cannabis sales tax revenues. Stringent budget controls resulted in expenditures being less than budget, most noticeably in employee benefits.

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

	<u>6/30/23</u>	<u>6/30/22</u>	<u>Change</u>	<u>Fund Balance Classification</u>
General stabilization	\$ 1,557,242	\$ 1,078,442	\$ 478,800	Unassigned
Town Hall stabilization	966,122	1,031,524	(65,402)	Committed
Tip Fee stabilization	135,517	132,731	2,786	Committed
Technology stabilization	109,756	107,500	2,256	Committed
Opioid settlement stabilization	91,847	-	91,847	Committed
Special Education stabilization	<u>348,614</u>	<u>342,253</u>	<u>6,361</u>	Committed
Total	\$ <u>3,209,098</u>	\$ <u>2,692,450</u>	\$ <u>516,648</u>	

The change in stabilization accounts fund balances is largely attributable to budgeted transfers for various projects offset by the budgeted use of "Free Cash" being transferred into these funds.

#### *Town Grants Fund*

The Town Grants Fund was established for the purpose of accounting for state and federal grants received by the Town. The fund balance of the Town Grants Fund changed by \$141,576, primarily from timing differences between the receipt and disbursement of grants.

#### *Community Preservation Fund*

The Community Preservation Fund was established for the purpose of acquiring land for conservation purposes, developing more affordable housing units in Town, and preserving and acquiring historical property. Revenues were planned to exceed expenditures and financing uses in order for funds to be reserved for the planned purposes noted above.

#### *Nonmajor Governmental Funds*

The fund balance of nonmajor funds changed by \$328,081 primarily from timing differences between the receipt and disbursement of grants and permanent financing of capital projects.

### ***Proprietary Funds***

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$6,234,529, a change of \$436,708 in comparison to the prior year as illustrated in the table below:

<u>Fund</u>	<u>6/30/23</u>	<u>6/30/22</u>	<u>Change</u>
Sewer	\$ 3,962,367	\$ 3,857,397	\$ 104,970
Water	1,409,656	961,902	447,754
Stormwater	719,833	900,051	(180,218)
PEG Access	<u>142,673</u>	<u>78,471</u>	<u>64,202</u>
Total	<u>\$ 6,234,529</u>	<u>\$ 5,797,821</u>	<u>\$ 436,708</u>

The increase in water unrestricted net position results from revenues exceeding expectations and expenditures coming in less than anticipated. The decrease in stormwater unrestricted net position was due to the planned use of net position during the year.

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

## **E. General Fund Budgetary Highlights**

The original budget increased by \$1,295,857 during fiscal year 2023. This increase was mainly attributable to the use of “Free Cash” to fund snow and ice related expenditures and the use of prior year funding in the current year.

The budget versus actual had an overall unfavorable variance of \$(285,271). This was attributable to excess cannabis sales tax revenues driving a favorable balance in penalties, interest, and other taxes of \$1.7 million, intergovernmental revenues of \$633 thousand, as well as strict budgetary controls and reserve funds that were not needed, creating a positive expenditure variance of \$738 thousand. These were softened by the use of “Free Cash” or fund balance for capital, stabilization, and snow and ice purposes. See detailed budget versus actual schedule in the Required Supplementary Information section of this report.

## **F. Capital Assets and Debt Administration**

### ***Capital Assets***

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$229,111,862 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery, equipment, and furnishings, construction in progress, and infrastructure.

Major capital asset activity included:

#### **Governmental**

\$ 2,492,000	School safety and traffic improvements
\$ 1,455,736	DPW building construction
\$ 1,991,143	Vehicles
\$ 600,601	Various road improvements

#### **Business-Type**

\$ 263,633	Sewer infrastructure
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### ***Long-Term Debt***

At the end of the current fiscal year, total bonded debt outstanding, including unamortized premiums, was \$63,104,649, all of which was backed by the full faith and credit of the Town.

The Town maintained its AA/Stable rating from S&P Global for their general obligation debt.

Additional information on capital assets and long-term debt can be found in Notes 11 and 16, respectively, of the Notes to the Financial Statements.

## **G. Economic Factors and Next Year's Budgets and Rates**

We are pleased to report that we once again have closed the year on a positive note. Our free cash was certified at just over \$8 million. We continue to be aggressive with the use of free cash to tackle many capital items that have been lingering for some time, including but not limited to: fire and police equipment/vehicles, technology, infrastructure, and many other items/projects that we normally could not address. We do not recommend it but if we were to introduce free cash use into the budget, we must do so responsibly and strategically develop a plan that coincides with the revenue estimates. To date we have not included any revenues associated with cannabis impact fees in the budget, we included \$1.3M in cannabis sales tax revenue in fiscal year 2023. Impact fees have been an ongoing discussion at the state level; and the Cannabis Control Commission has issued new regulations for communities. The Town currently has 4 cannabis facilities who have generated \$1.3 million in impact fees and the same in excise tax during fiscal year 2023. Each license has a 5-year shelf life, after which negotiations will ensue to renew. At the time of renewal, we will be required to adhere to

the new guidelines that have been issued by the state. The Town has hired Special Counsel to deal with the new Cannabis Regulations and our host Cannabis facilities.

The Town continues to move forward with its commitment to improve our commercial/industrial tax base. The economic development administrator and committee have been busy working with existing and potential businesses. The Economic Development Committee (EDC) is committed to pushing forward while keeping an eye on vacancies and struggles businesses may be having. The EDC meets on a regular basis to strategize and create opportunities for businesses to take advantage of. Dracut does not have a town center; the EDC is working hard to define areas of town to attract more businesses with a primary focus on the Navy Yard and Collinsville areas. We currently have very few storefronts available, which is a good sign in this economy. As many communities are experiencing, Dracut businesses also have a shortage of qualified applicants, which is impacting many business sectors. We have held job fairs for small businesses; provided marketing materials and established a more robust business directory and communication platform via the Town's website.

From a budgeting perspective, the Town had a very positive year during fiscal year 2023. We continue to be conservative on both sides of the general ledger. We have made a practice of not relying on one-time revenues to support the budget while at the same time economically driven revenues are estimated to the best of our knowledge and are not overestimated.

Investing in education, public safety, and public works continues to be a priority. As the community grows so does the need to provide the necessary funding to support the impact each is experiencing. For fiscal year 2024, the budget is increased approximately 5.7% overall; it provides the funding towards Net School spending for the Schools and all known contractual obligations, to automate many areas within town government, increases the number of sworn officers in police, increases training funding, increases the Town's commitment to education, and absorbs all personnel costs (i.e., insurance, retirement, etc.). With all the unknowns as it relates to the state budget, we are proceeding cautiously with formulating the fiscal year 2025 budget. As we start to budget for FY2025 the Town is looking to close a 2.1M deficit due to the pressures of inflation and increase in Net School Spending. Each has put some strains on the FY25 budget projections. The Town is looking at various options to reduce this deficit, which include trash fees, stormwater fees, budget cuts, override, school chargebacks, or a combination of all these. We will continue to work through all these options, and we are hopeful that we might see some additional state aid to close these gaps.

It is expected that new growth will continue to play an important role for our community. As we have in the past, we will continue to budget conservatively and carefully analyze the impact of changes and adjust accordingly.

With the infusion of funding from the federal government, we will be working on several capital projects that have been lingering. Some of these projects include milling and paving, culvert replacement, and equipment purchases, to name a few. We have established a

“Capital Project Working Team” that is made up of department heads; we are currently working on approximately 40 capital projects.

Although the pandemic seems to have dissipated there are still residuals that the Town and its departments are facing. We have kept many of the new procedures and technology changes in place but need to be cognizant of serving those that are not technology savvy. We cannot lose sight of the need to still have the in-person options for all.

Over the next two years we will see an updated zoning bylaw, general bylaw, and charter. All are due to be re-visited to meet the demands of today. In some cases, the last time they were reviewed was back in the late 1980’s. This along with many other tasks, would not be possible without the commitment and energy of our volunteers, and of course our staff.

### **Requests for Information**

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

Office of the Finance Director  
Town of Dracut, Massachusetts  
62 Arlington Street  
Dracut, Massachusetts 01826

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF DRACUT, MASSACHUSETTS**

Statement of Net Position

June 30, 2023

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Current Assets:			
Cash and short-term investments	\$ 36,521,144	\$ 7,384,493	\$ 43,905,637
Investments	14,536,266	502,333	15,038,599
Receivables:			
Property taxes	645,091	-	645,091
Excises	631,065	-	631,065
User fees	-	778,761	778,761
Intergovernmental	69,639	68,147	137,786
Betterments	70,350	9,816	80,166
Leases	286,753	-	286,753
Departmental and other	126,442	-	126,442
Total Current Assets	<u>52,886,750</u>	<u>8,743,550</u>	<u>61,630,300</u>
Noncurrent Assets:			
Receivables, net of allowance for uncollectibles:			
Property taxes	476,498	-	476,498
Betterments	28,555	32,376	60,931
Leases	1,734,722	-	1,734,722
Capital assets, depreciable, net of accumulated depreciation	138,679,185	70,671,885	209,351,070
Capital assets, non-depreciable	<u>19,760,792</u>	<u>-</u>	<u>19,760,792</u>
Total Noncurrent Assets	<u>160,679,752</u>	<u>70,704,261</u>	<u>231,384,013</u>
Total Assets	<u>213,566,502</u>	<u>79,447,811</u>	<u>293,014,313</u>
<b>Deferred Outflows of Resources</b>			
Related to pension	10,355,301	165,171	10,520,472
Related to OPEB	<u>8,958,314</u>	<u>55,597</u>	<u>9,013,911</u>
Total Deferred Outflows of Resources	<u>19,313,615</u>	<u>220,768</u>	<u>19,534,383</u>

(continued)

**TOWN OF DRACUT, MASSACHUSETTS**

Statement of Net Position  
June 30, 2023

(continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Liabilities</b>			
Current Liabilities:			
Accounts payable	1,533,519	122,118	1,655,637
Accrued payroll and withholdings	3,933,950	10,501	3,944,451
Accrued liabilities	493,960	246,237	740,197
Unearned revenue	7,851,705	-	7,851,705
Escrow deposits	1,149,808	-	1,149,808
Other current liabilities	43,290	-	43,290
Current portion of long-term liabilities:			
Bonds and loans payable	3,816,113	2,948,616	6,764,729
Estimated landfill closure and postclosure care costs	45,000	-	45,000
Accrued employee benefits	138,649	1,961	140,610
Total Current Liabilities	<u>19,005,994</u>	<u>3,329,433</u>	<u>22,335,427</u>
Noncurrent Liabilities:			
Bonds and loans payable, net of current portion	33,559,997	22,779,923	56,339,920
Estimated landfill closure and postclosure care costs, net of current portion	1,534,000	-	1,534,000
Accrued employee benefits, net of current portion	4,482,971	63,401	4,546,372
Net pension liability	73,912,264	1,178,932	75,091,196
Net OPEB liability	150,542,500	934,314	151,476,814
Total Noncurrent Liabilities	<u>264,031,732</u>	<u>24,956,570</u>	<u>288,988,302</u>
Total Liabilities	<u>283,037,726</u>	<u>28,286,003</u>	<u>311,323,729</u>
<b>Deferred Inflows of Resources</b>			
Related to pension	2,779,288	44,332	2,823,620
Related to OPEB	25,839,552	160,369	25,999,921
Related to leases	2,021,475	-	2,021,475
Related to debt refunding	-	64,165	64,165
Total Deferred Inflows of Resources	<u>30,640,315</u>	<u>268,866</u>	<u>30,909,181</u>
<b>Net Position</b>			
Net investment in capital assets	121,357,451	44,879,181	166,236,632
Restricted for:			
Grants and other statutory contributions	16,238,875	-	16,238,875
Permanent funds:			
Nonexpendable	259,721	-	259,721
Expendable	117,881	-	117,881
Unrestricted	<u>(218,771,852)</u>	<u>6,234,529</u>	<u>(212,537,323)</u>
Total Net Position	<u>\$ (80,797,924)</u>	<u>\$ 51,113,710</u>	<u>\$ (29,684,214)</u>

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

**TOWN OF DRACUT, MASSACHUSETTS**

Statement of Activities  
For the Year Ended June 30, 2023

	Program Revenues					Net (Expenses) Revenues
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>		
<b>Governmental Activities</b>						
General government	\$ 7,401,796	\$ 335,049	\$ 876,961	\$ -	\$ (6,189,786)	
Public safety	18,998,928	1,714,744	68,431	-	(17,215,753)	
Education	78,900,402	983,801	37,431,063	-	(40,485,538)	
Public works	8,128,224	39,366	884,095	241,366	(6,963,397)	
Health and human services	1,243,742	93,462	323,908	-	(826,372)	
Culture and recreation	2,301,852	249,003	104,931	-	(1,947,918)	
Debt service interest	<u>856,343</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(856,343)</u>	
Total Governmental Activities	<u>117,831,287</u>	<u>3,415,425</u>	<u>39,689,389</u>	<u>241,366</u>	<u>(74,485,107)</u>	
<b>Business-Type Activities</b>						
Sewer services	6,240,329	7,460,436	-	55,500	1,275,607	
Water services	1,581,297	1,974,281	-	-	392,984	
Stormwater services	487,354	1,439	-	-	(485,915)	
PEG access services	<u>534,184</u>	<u>547,727</u>	<u>-</u>	<u>-</u>	<u>13,543</u>	
Total Business-Type Activities	<u>8,843,164</u>	<u>9,983,883</u>	<u>-</u>	<u>55,500</u>	<u>1,196,219</u>	
Total	<u><u>\$ 126,674,451</u></u>	<u><u>\$ 13,399,308</u></u>	<u><u>\$ 39,689,389</u></u>	<u><u>\$ 296,866</u></u>	<u><u>(73,288,888)</u></u>	

(continued)

**TOWN OF DRACUT, MASSACHUSETTS**

**Statement of Activities**  
**For the Year Ended June 30, 2023**

(continued)

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Change in net (expenses) revenues from previous page	\$ (74,485,107)	\$ 1,196,219	\$ (73,288,888)
<b>General Revenues and Transfers</b>			
Property taxes	58,192,965	-	58,192,965
Excises	5,336,775	-	5,336,775
Penalties, interest, and other taxes	3,549,305	-	3,549,305
Grants and contributions not restricted to specific programs	6,000,660	-	6,000,660
Investment income	980,407	101,911	1,082,318
Miscellaneous	553,382	-	553,382
Transfers, Net	<u>(392,828)</u>	<u>392,828</u>	<u>-</u>
Total General Revenues and Transfers	<u>74,220,666</u>	<u>494,739</u>	<u>74,715,405</u>
Change in Net Position	(264,441)	1,690,958	1,426,517
<b>Net Position</b>			
Beginning of year	<u>(80,533,483)</u>	<u>49,422,752</u>	<u>(31,110,731)</u>
End of year	<u>\$ (80,797,924)</u>	<u>\$ 51,113,710</u>	<u>\$ (29,684,214)</u>

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

**TOWN OF DRACUT, MASSACHUSETTS**

Governmental Funds  
Balance Sheet  
June 30, 2023

	General Fund	Town Grants Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and short-term investments	\$ 15,573,812	\$ 2,279,394	\$ 7,400,340	\$ 11,267,598	\$ 36,521,144
Investments	7,324,441	6,590,624	621,201	-	14,536,266
Receivables:					
Property taxes	1,110,006	-	11,583	-	1,121,589
Excises	631,065	-	-	-	631,065
Intergovernmental	69,639	-	-	-	69,639
Betterments	98,905	-	-	-	98,905
Leases	-	-	-	2,021,475	2,021,475
Departmental and other	-	-	-	126,442	126,442
Due from other funds	<u>78,032</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,032</u>
Total Assets	<u>\$ 24,885,900</u>	<u>\$ 8,870,018</u>	<u>\$ 8,033,124</u>	<u>\$ 13,415,515</u>	<u>\$ 55,204,557</u>
<b>Liabilities</b>					
Accounts payable	\$ 1,330,308	\$ 82,705	\$ -	\$ 120,506	\$ 1,533,519
Accrued payroll and withholdings	3,800,640	1,659	-	131,651	3,933,950
Accrued liabilities	-	63,560	-	-	63,560
Unearned revenue	-	7,851,705	-	-	7,851,705
Due to other funds	-	-	-	78,032	78,032
Escrow deposits	1,149,808	-	-	-	1,149,808
Other liabilities	<u>43,290</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,290</u>
Total Liabilities	<u>6,324,046</u>	<u>7,999,629</u>	<u>-</u>	<u>330,189</u>	<u>14,653,864</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenues	1,583,757	-	11,583	-	1,595,340
Related to leases	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,021,475</u>	<u>2,021,475</u>
Total Deferred Inflows of Resources	<u>1,583,757</u>	<u>-</u>	<u>11,583</u>	<u>2,021,475</u>	<u>3,616,815</u>
<b>Fund Balances</b>					
Nonspendable	-	-	-	259,721	259,721
Restricted	-	870,389	8,021,541	7,758,410	16,650,340
Committed	5,085,856	-	-	3,281,575	8,367,431
Assigned	941,589	-	-	-	941,589
Unassigned	<u>10,950,652</u>	<u>-</u>	<u>-</u>	<u>(235,855)</u>	<u>10,714,797</u>
Total Fund Balances	<u>16,978,097</u>	<u>870,389</u>	<u>8,021,541</u>	<u>11,063,851</u>	<u>36,933,878</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 24,885,900</u>	<u>\$ 8,870,018</u>	<u>\$ 8,033,124</u>	<u>\$ 13,415,515</u>	<u>\$ 55,204,557</u>

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

**TOWN OF DRACUT, MASSACHUSETTS**

Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
in the Statement of Net Position

June 30, 2023

<b>Total Governmental Fund Balances</b>	\$ 36,933,878
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	158,439,977
• Deferred outflows of resources to be recognized as an increase to pension and OPEB expense in future periods:	
Related to pension	10,355,301
Related to OPEB	8,958,314
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,595,340
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:	
Bonds and loans payable, including unamortized premium	(37,376,110)
Net pension liability	(73,912,264)
Net OPEB liability	(150,542,500)
Landfill closure and postclosure care costs	(1,579,000)
Accrued employee benefits	(4,621,620)
• Deferred inflows of resources to be recognized as a decrease to pension and OPEB expense in future periods:	
Related to pension	(2,779,288)
Related to OPEB	(25,839,552)
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(430,400)
<b>Net Position of Governmental Activities</b>	<u>\$ (80,797,924)</u>

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

**TOWN OF DRACUT, MASSACHUSETTS**

Governmental Funds  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended June 30, 2023

	General Fund	Town Grants Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property taxes	\$ 57,123,620	\$ -	\$ 1,099,778	\$ -	\$ 58,223,398
Excises	5,133,864	-	-	-	5,133,864
Penalties, interest, and other taxes	3,546,887	-	2,418	-	3,549,305
Charges for services	418,443	-	-	2,352,395	2,770,838
Intergovernmental	35,616,441	2,632,048	411,671	7,205,730	45,865,890
Licenses and permits	644,587	-	-	-	644,587
Investment income	642,091	192,660	133,179	12,477	980,407
Miscellaneous	236,256	-	-	317,126	553,382
<b>Total Revenues</b>	<b>103,362,189</b>	<b>2,824,708</b>	<b>1,647,046</b>	<b>9,887,728</b>	<b>117,721,671</b>
<b>Expenditures</b>					
Current:					
General government	3,786,531	1,801,906	19,760	481,328	6,089,525
Public safety	10,677,798	96,161	-	1,570,053	12,344,012
Education	50,081,306	66,291	-	9,907,132	60,054,729
Public works	6,373,344	540,335	-	2,301,880	9,215,559
Health and human services	731,117	65,050	-	76,853	873,020
Culture and recreation	1,014,814	25,434	-	291,191	1,331,439
Employee benefits	17,910,440	-	-	-	17,910,440
Debt service:					
Principal	2,730,500	-	410,000	-	3,140,500
Interest	1,257,797	-	154,515	-	1,412,312
Intergovernmental	4,485,182	-	-	-	4,485,182
<b>Total Expenditures</b>	<b>99,048,829</b>	<b>2,595,177</b>	<b>584,275</b>	<b>14,628,437</b>	<b>116,856,718</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,313,360	229,531	1,062,771	(4,740,709)	864,953
<b>Other Financing Sources (Uses)</b>					
Loan proceeds	-	-	-	770,300	770,300
Transfers in	73,152	-	149,889	4,644,625	4,867,666
Transfers out	(4,424,404)	(87,955)	(402,000)	(346,135)	(5,260,494)
<b>Total Other Financing Sources (Uses)</b>	<b>(4,351,252)</b>	<b>(87,955)</b>	<b>(252,111)</b>	<b>5,068,790</b>	<b>377,472</b>
Net Change in Fund Balances	(37,892)	141,576	810,660	328,081	1,242,425
Fund Balances at Beginning of Year	17,015,989	728,813	7,210,881	10,735,770	35,691,453
<b>Fund Balances at End of Year</b>	<b>\$ 16,978,097</b>	<b>\$ 870,389</b>	<b>\$ 8,021,541</b>	<b>\$ 11,063,851</b>	<b>\$ 36,933,878</b>

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

**TOWN OF DRACUT, MASSACHUSETTS**

Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2023

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ 1,242,425
• Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital outlay	7,625,452
Net effect from disposal of assets	(16,675)
Depreciation	(7,740,089)
• Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for certain types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue, net of change in allowance for doubtful accounts.	172,478
• The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:	
Repayments of general obligation bonds and loans	3,549,000
Issuance of general obligation bonds and loans	(770,300)
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. This amount reflects the change in accrued interest.	38,756
• Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds:	
Amortization of bond premiums	517,213
Change in net pension liability and related deferred outflows and inflows	(1,360,030)
Change in net OPEB liability and related deferred outflows and inflows	(3,488,872)
Change in landfill liability	45,000
Change in accrued employee benefits	<u>(78,799)</u>
<b>Change in Net Position of Governmental Activities</b>	<u>\$ (264,441)</u>

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

**TOWN OF DRACUT, MASSACHUSETTS**

Proprietary Funds  
Statement of Net Position  
June 30, 2023

	<b>Business-Type Activities</b>		
	<u>Sewer Fund</u>	<u>Nonmajor Funds</u>	<u>Total Enterprise Funds</u>
<b>Assets</b>			
Current Assets:			
Cash and short-term investments	\$ 4,633,390	\$ 2,751,103	\$ 7,384,493
Investments	502,333	-	502,333
Receivables:			
User fees	595,839	182,922	778,761
Intergovernmental	68,147	-	68,147
Betterments	<u>9,816</u>	<u>-</u>	<u>9,816</u>
Total Current Assets	5,809,525	2,934,025	8,743,550
Noncurrent Assets:			
Betterments receivable	32,376	-	32,376
Capital assets, depreciable, net of accumulated depreciation	<u>69,860,386</u>	<u>811,499</u>	<u>70,671,885</u>
Total Noncurrent Assets	<u>69,892,762</u>	<u>811,499</u>	<u>70,704,261</u>
Total Assets	75,702,287	3,745,524	79,447,811
<b>Deferred Outflows of Resources</b>			
Related to pension	115,725	49,446	165,171
Related to OPEB	<u>44,953</u>	<u>10,644</u>	<u>55,597</u>
Total Deferred Outflows of Resources	160,678	60,090	220,768
<b>Liabilities</b>			
Current Liabilities:			
Accounts payable	1,691	120,427	122,118
Accrued payroll and withholdings	4,375	6,126	10,501
Accrued liabilities	246,237	-	246,237
Current portion of long-term liabilities:			
Bonds and loans payable	2,948,616	-	2,948,616
Accrued employee benefits	<u>1,373</u>	<u>588</u>	<u>1,961</u>
Total Current Liabilities	3,202,292	127,141	3,329,433
Noncurrent Liabilities:			
Bonds and loans payable, net of current portion	22,779,923	-	22,779,923
Accrued employee benefits, net of current portion	<u>44,381</u>	<u>19,020</u>	<u>63,401</u>
Net pension liability	826,003	352,929	1,178,932
Net OPEB liability	<u>755,428</u>	<u>178,886</u>	<u>934,314</u>
Total Noncurrent Liabilities	<u>24,405,735</u>	<u>550,835</u>	<u>24,956,570</u>
Total Liabilities	27,608,027	677,976	28,286,003
<b>Deferred Inflows of Resources</b>			
Related to pension	31,060	13,272	44,332
Related to OPEB	129,664	30,705	160,369
Related to debt refunding	<u>64,165</u>	<u>-</u>	<u>64,165</u>
Total Deferred Inflows of Resources	224,889	43,977	268,866
<b>Net Position</b>			
Net investment in capital assets	44,067,682	811,499	44,879,181
Unrestricted	<u>3,962,367</u>	<u>2,272,162</u>	<u>6,234,529</u>
Total Net Position	<u>\$ 48,030,049</u>	<u>\$ 3,083,661</u>	<u>\$ 51,113,710</u>

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

**TOWN OF DRACUT, MASSACHUSETTS**  
**Proprietary Funds**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended June 30, 2023**

<b>Business-Type Activities</b>			
	<u>Sewer Fund</u>	<u>Nonmajor Funds</u>	<u>Total Enterprise Funds</u>
<b>Operating Revenues</b>			
Charges for services	\$ 7,460,436	\$ 2,523,447	\$ 9,983,883
Total Operating Revenues	7,460,436	2,523,447	9,983,883
<b>Operating Expenses</b>			
Salaries and benefits	606,742	691,599	1,298,341
Other operating expenses	2,703,224	1,846,775	4,549,999
Depreciation	<u>2,352,371</u>	<u>64,461</u>	<u>2,416,832</u>
Total Operating Expenses	<u>5,662,337</u>	<u>2,602,835</u>	<u>8,265,172</u>
Operating Income (Loss)	1,798,099	(79,388)	1,718,711
<b>Nonoperating Revenues (Expenses)</b>			
Investment income	56,304	45,607	101,911
Interest expense	<u>(577,992)</u>	<u>-</u>	<u>(577,992)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(521,688)</u>	<u>45,607</u>	<u>(476,081)</u>
Income (Loss) Before Transfers and Capital Contributions	1,276,411	(33,781)	1,242,630
<b>Capital Contributions and Transfers</b>			
Capital contributions	55,500	-	55,500
Transfers in	-	408,891	408,891
Transfers out	<u>-</u>	<u>(16,063)</u>	<u>(16,063)</u>
Change in Net Position	1,331,911	359,047	1,690,958
Net Position, Beginning of Year	<u>46,698,138</u>	<u>2,724,614</u>	<u>49,422,752</u>
Net Position, End of Year	<u>\$ 48,030,049</u>	<u>\$ 3,083,661</u>	<u>\$ 51,113,710</u>

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

**TOWN OF DRACUT, MASSACHUSETTS**

Proprietary Funds  
Statement of Cash Flows  
For the Year Ended June 30, 2023

	Business-Type Activities		
	<u>Sewer Fund</u>	<u>Nonmajor Funds</u>	<u>Total Enterprise Funds</u>
<b>Cash Flows From Operating Activities</b>			
Receipts from customers and users	\$ 7,335,580	\$ 2,456,927	\$ 9,792,507
Payments to employees for salaries and benefits	(647,462)	(449,704)	(1,097,166)
Payments to suppliers and service providers	<u>(2,732,914)</u>	<u>(1,739,942)</u>	<u>(4,472,856)</u>
Net Cash Provided By Operating Activities	3,955,204	267,281	4,222,485
<b>Cash Flows From Noncapital Financing Activities</b>			
Transfers in	-	408,891	408,891
Transfers out	<u>-</u>	<u>(16,063)</u>	<u>(16,063)</u>
Net Cash Provided By Noncapital Financing Activities	-	392,828	392,828
<b>Cash Flows From Capital and Related Financing Activities</b>			
Acquisition and construction of capital assets	(764,612)	(91,770)	(856,382)
Payments on bonds	(3,307,866)	-	(3,307,866)
Capital contributions	55,500	-	55,500
Receipts from betterments	9,376	-	9,376
Interest expense	<u>(610,689)</u>	<u>-</u>	<u>(610,689)</u>
Net Cash (Used For) Capital and Related Financing Activities	(4,618,291)	(91,770)	(4,710,061)
<b>Cash Flows From Investing Activities</b>			
Investment income (loss)	<u>56,304</u>	<u>45,607</u>	<u>101,911</u>
Net Cash Provided By (Used For) Investing Activities	<u>56,304</u>	<u>45,607</u>	<u>101,911</u>
Net Change in Cash and Short-Term Investments	(606,783)	613,946	7,163
Cash and Short-Term Investments, Beginning of Year	<u>5,240,173</u>	<u>2,137,157</u>	<u>7,377,330</u>
Cash and Short-Term Investments, End of Year	<u>\$ 4,633,390</u>	<u>\$ 2,751,103</u>	<u>\$ 7,384,493</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities</b>			
Operating income (loss)	\$ 1,798,099	\$ (79,388)	\$ 1,718,711
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	2,352,371	64,461	2,416,832
Changes in assets, liabilities, and deferred outflows/inflows:			
User fees receivable	(124,989)	(66,545)	(191,534)
Intergovernmental receivables	133	-	133
Accounts payable	(27,665)	106,833	79,168
Accrued payroll and withholdings	933	280	1,213
Other liabilities	(2,025)	-	(2,025)
Accrued employee benefits liability	45,754	19,608	65,362
Net pension liability and related deferrals	(95,747)	217,886	122,139
Net OPEB liability and related deferrals	17,507	4,146	21,653
Deferred inflows - other	<u>(9,167)</u>	<u>-</u>	<u>(9,167)</u>
Net Cash Provided By Operating Activities	<u>\$ 3,955,204</u>	<u>\$ 267,281</u>	<u>\$ 4,222,485</u>

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

**TOWN OF DRACUT, MASSACHUSETTS**

Fiduciary Funds  
Statement of Fiduciary Net Position  
June 30, 2023

	Other Post Employment Benefits <u>Trust Fund</u>
<b>Assets</b>	
Cash and short-term investments	\$ 6,007
Investments:	
External investment pool (PRIT)	<u>823,005</u>
Total Assets	829,012
<b>Net Position</b>	
Restricted for OPEB	<u>829,012</u>
Total Net Position	<u>\$ 829,012</u>

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

**TOWN OF DRACUT, MASSACHUSETTS**

Fiduciary Funds  
 Statement of Changes in Fiduciary Net Position  
 For the Year Ended June 30, 2023

	Other Post Employment Benefits <u>Trust Fund</u>
<b>Additions</b>	
Employer contributions	\$ 4,552,846
Investment income:	
Investment income	48,587
Less: management fees	<u>(3,961)</u>
Net investment income	<u>44,626</u>
Total Additions	4,597,472
<b>Deductions</b>	
Benefit payments	<u>4,552,846</u>
Total Deductions	<u>4,552,846</u>
Change in Net Position	44,626
<b>Net position restricted for OPEB</b>	
Beginning of year	<u>784,386</u>
End of year	\$ <u>829,012</u>

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

## TOWN OF DRACUT, MASSACHUSETTS

### Notes to the Financial Statements

#### **1. Summary of Significant Accounting Policies**

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

##### **A. Reporting Entity**

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

The Town has entered into joint ventures with other municipalities to pool resources and share the costs, risks, and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specified service recipients. The following is a list of the Town's joint ventures, their purpose, and the address where the joint venture financial statements are available:

<u>Joint venture and address</u>	<u>Purpose</u>
Greater Lowell Technical High School 250 Pawtucket Boulevard Tyngsboro, Massachusetts 01879	To provide education services
Essex Technical High School 565 Maple Street Hathorne, Massachusetts 01937	To provide education services

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

###### *Government-Wide Financial Statements*

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

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

#### *Fund Financial Statements*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported in a separate column.

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

#### *Government-Wide Financial Statements*

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

#### *Fund Financial Statements*

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

expenditures such as debt service, claims and judgments, compensated absences, OPEB, and pension are recorded only when payment is due.

The Town reports the following major governmental funds:

- The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Town Grants Fund* is used to account for state and federal grants received by the Town.
- The *Community Preservation Fund* is used to account for projects financed with revenues from our Community Preservation Act (CPA) Fund.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

- The *Sewer Fund* is a major proprietary fund, which accounts for user charges and costs associated with sewer operations within the Town.
- The *Nonmajor Funds* is a proprietary fund accounting for (1) water operations attributable to the Kenwood Water Department which supplies much of the eastern portion of the Town of Dracut, (2) stormwater management operations within the Town and (3) cable related PEG access operations.

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

The Town reports the following fiduciary fund:

- The *Other Post-Employment Benefits Trust Fund* is used to accumulate resources for health insurance benefits for retired employees.

**D. Cash and Investments**

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

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

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

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

The Town invests in the Massachusetts Municipal Depository Trust (MMDT) Cash Portfolio, an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts. The cash portfolio meets the requirements of GASB Statement N. 79, *Certain External Investment Pools and Pool Participants*, where investments are valued at amortized cost, which approximates the net asset value of \$1 per share.

Investments are carried at fair value, except certificates of deposits which are reported at cost and investments in external investment pools which are measured at the net asset value (NAV).

**E. Property Tax Limitations**

Legislation known as "Proposition 2½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5% (excluding new growth); unless an override is voted. Certain provisions of Proposition 2½ can be overridden by a referendum.

## ***F. Leases***

### *Town as a Lessor*

The Town recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the Town initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as a revenue over the life of the lease term on a straight-line basis over its useful life. The following key assumptions are made:

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

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

## ***G. Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20 - 40
Machinery, equipment, and furnishings	5 - 10
Infrastructure	30 - 75

#### ***H. Accrued Employee Benefits***

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

#### ***I. Long-Term Obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. The General Fund and applicable enterprise funds typically repay these obligations.

#### ***J. Fund Equity***

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

##### *Fund Balance*

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

- *Nonspendable* represents amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. This fund balance classification includes nonmajor governmental fund reserves for the principal portion of permanent trust funds.
- *Restricted* represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes Community Preservation Fund amounts restricted for specific use, nonmajor capital projects funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.
- *Committed* represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes specific purpose stabilization accounts set aside by Town Meeting vote (now reported

as part of the General Fund per GASB 54), and various capital projects for non-lapsing appropriations approved at Town Meeting. A similar action is needed to modify or rescind a commitment.

- *Assigned* represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes General Fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period. The Town follows an informal policy that permits management to assign fund balance amounts to a specific purpose.
- *Unassigned* represents amounts that are available to be spent in future periods, the Town's general stabilization account, and deficit balances in nonmajor governmental funds.

The Town's stabilization accounts are authorized in accordance with Massachusetts General Laws Chapter 40, section 5B. The creation of, appropriation into, and appropriation out of a stabilization account requires two-thirds approval at Town Meeting. Stabilization accounts are a component of committed and unassigned fund balance.

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

#### *Net Position*

Net position represents the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on use either through enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

#### **K. Use of Estimates**

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

## 2. Stewardship, Compliance, and Accountability

### A. *Budgetary Information*

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

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

Formal budgetary integration is employed as a management control device during the year for the General Fund and proprietary funds. Effective budgetary control is achieved for all other funds through provisions of Massachusetts General Laws.

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

### B. *Deficit Fund Equity*

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

### C. *Excess of Expenditures Over Appropriations*

Expenditures exceeding appropriations during the current fiscal year were as follows:

<u>Function</u>	<u>Amount</u>
General Fund:	
Intergovernmental	\$ (628,416)

While the General Fund intergovernmental expenditures appear to be overspent, the Town Manager has full autonomy over Town (exclusive of the School Department) appropriations as voted. The Town budget, located on the budget and actual page in the Required Supplementary Information, is followed by a reconciliation between the

budget and actual schedule and the Statement of Revenues, Expenditures, and Changes in Fund Balances.

### **3. Deposits and Investments – Town (Excluding OPEB Trust Fund)**

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

#### ***Deposits***

##### ***Custodial Credit Risk***

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

As of June 30, 2023, none of the Town's bank balance of \$45,199,125, was subject to custodial credit risk as uninsured and/or uncollateralized. Additionally, \$44,041 was invested in MMDT, which is not subject to this disclosure.

#### ***Investments***

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

<u>Investment Type</u>	<u>Amount</u>
Fixed income mutual funds	\$ 6,381,451
U.S. Treasury notes	<u>8,657,148</u>
	\$ <u>15,038,599</u>

#### *Custodial Credit Risk*

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Town will not be able to recover the value of its investment or collateral securities that are in possession of another party. The Town does not have formal investment policies related to custodial credit risk. Investments in open-ended mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

#### *Credit Risk – Investments in Debt Securities*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. The Town's policy related to credit risk is to limit investments to the safest types of securities, prequalified financial institutions, brokers/dealers, intermediaries, and advisors with which the Town will do business, and diversify the investment portfolio so that potential losses on individual securities will be minimized.

As of June 30, 2023, the credit quality ratings, as rated by Moody's Investors Service, Inc., of the Town's debt securities were as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>		
		<u>AAA</u>	<u>AA</u>	<u>Unrated</u>
Fixed income mutual funds	\$ <u>6,381,451</u>	\$ <u>5,889,254</u>	\$ <u>492,197</u>	\$ <u>-</u>

#### *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributable to the magnitude of the Town's investment in a single issuer. The Town places no limit on the amount that may be invested in any one issuer. The Town does not have formal investment policies related to concentration of credit risk exposure.

Investments issued or explicitly guaranteed by the U.S. government, mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit disclosure.

#### *Interest Rate Risk – Investments in Debt Securities*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town's policy on interest rate risk is to structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in shorter-term securities. Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations was as follows at June 30, 2023:

<u>Investment Type</u>	<u>Amount</u>	Investment Maturities (in Years)		
		<u>Less</u> <u>Than 1</u>	<u>1-5</u>	<u>6-10</u>
Fixed income mutual funds	\$ 6,381,451	\$ -	\$ -	\$ 6,381,451
U.S. Treasury notes	<u>8,657,148</u>	<u>8,657,148</u>	<u>-</u>	<u>-</u>
	<u>\$ 15,038,599</u>	<u>\$ 8,657,148</u>	<u>\$ -</u>	<u>\$ 6,381,451</u>

*Foreign Currency Risk*

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have formal investment policies related to foreign currency risk.

At June 30, 2023, none of the Town's investments were exposed to foreign currency risk.

*Fair Value*

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

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

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

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation.

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

<u>Investment Type</u>	<u>Amount</u>	Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets <u>(Level 1)</u>	Significant observable inputs <u>(Level 2)</u>	Significant unobservable inputs <u>(Level 3)</u>
Investments by fair value level:				
Fixed income mutual funds	\$ 6,381,451	\$ -	\$ 6,381,451	\$ -
U.S. Treasury notes	<u>8,657,148</u>	<u>8,657,148</u>	<u>-</u>	<u>-</u>
	<u>\$ 15,038,599</u>	<u>\$ 8,657,148</u>	<u>\$ 6,381,451</u>	<u>\$ -</u>

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

#### 4. Investments – OPEB Trust Fund

Generally, the OPEB Trust Fund's investment policies mirror that of the Town as discussed in the previous note.

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

<u>Investment Type</u>	<u>Amount</u>
External investment pool (PRIT)	\$ <u>823,005</u>

#### ***Custodial Credit Risk***

As of June 30, 2023, the OPEB Trust Fund did not have any investments exposed to custodial credit risk disclosure as investments in external investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

#### ***Credit Risk – Investments in Debt Securities***

Presented below is the rating as of year-end for debt-related investments of the OPEB Trust Fund:

<u>Investment Type</u>	<u>Rating as of Year End</u>	
	<u>Amount</u>	<u>Unrated</u>
External investment pool (PRIT)	\$ <u>823,005</u>	\$ <u>823,005</u>

### ***Concentration of Credit Risk***

Investments in external investment pools are excluded from concentration of credit disclosure.

### ***Fair Value***

The OPEB Trust Fund had the following fair value measurements as of June 30, 2023:

<u>Investment Type</u>	<u>Amount</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
Investments measured using net asset value (NAV):				
External investment pool (PRIT)	\$ 823,005	\$ -	Monthly	30 Days

Fair value is the same as the value of the pool share. The Pension Reserves Investment Trust (PRIT) was created under Massachusetts General Laws, Chapter 32, Section 22, in December 1983. The PRIT is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board. The Pension Reserves Investment Management Board shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts General Laws, Chapter 30B.

## **5. Property Taxes and Excises Receivable**

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

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

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

A statewide property tax limitation known as "Proposition 2 ½" limits the amount of increase in the property tax levy in any fiscal year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2 ½% of the total assessed value of all taxable

property within the Town. Secondly, the tax levy cannot increase by more than 2 ½% of the prior year's levy plus the taxes on property newly added to the tax rolls. The actual fiscal year 2023 tax levy reflected an excess capacity of \$7,428.

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

Boat excise taxes are assessed annually for all water vessels, including documented boats and ships, used or capable of being used for transportation on water. A boat excise is assessed by the community where the vessel is moored. July 1 is the assessing date for all vessels, and the boat excise due is calculated using a fixed rate of \$10 per \$1,000 of value.

Property taxes and excise receivables at June 30, 2023 consisted of the following:

	Total	Current Portion	Long- Term Portion
Real estate taxes	\$ 614,547	\$ 614,547	\$ -
Personal property taxes	18,961	18,961	-
Community preservation act	11,583	11,583	-
Tax liens	<u>476,498</u>	<u>-</u>	<u>476,498</u>
Total property taxes	<u>\$ 1,121,589</u>	<u>\$ 645,091</u>	<u>\$ 476,498</u>
Motor vehicle excise	\$ 628,543	\$ 628,543	\$ -
Boat excise	<u>2,522</u>	<u>2,522</u>	<u>-</u>
Total excises	<u>\$ 631,065</u>	<u>\$ 631,065</u>	<u>\$ -</u>

## 6. User Fees Receivable

The Town provides sewer and water services for its residents. Bills are issued based on flat fees as well as usage and are sent out either quarterly (sewer) or semi-annually (water).

All outstanding balances of accumulated sewer and water charges plus demands and interest with no payments for more than three billing periods constitute a lien on the property and may be turned over to the Tax Collector for collection.

## **7. Intergovernmental Receivables**

This balance represents reimbursements requested from federal and state agencies for expenditures incurred in fiscal year 2023.

## **8. Betterments Receivable**

Betterments are assessed to properties for the cost of “bettering” the property. The property owner may pay the betterment in full within 30 days after the assessments are committed to the Tax Collector without interest. Alternatively, the property owner can pay some or none of the assessment and request an apportionment of the unpaid amount into a maximum of 20 equal portions.

This balance of represents amounts due to the Town at year-end related to Robbins Road in the General Fund and the Autumn Road pump station in the Sewer Fund.

## **9. Leases**

At June 30, 2023, the Town was the lessor in the following leasing arrangement:

The Town leases the Parker Avenue School to Community Teamwork, Inc. (CTI). The agreement was initiated on July 1, 2015 for a term of 10 years with the option to extend for another 5 years, ending on August 31, 2030. As of July 1, 2020, CTI pays the Town \$259,000 per year at a rate of \$14 per square foot. For each year of any renewal term the base rent will be adjusted by the New England Consumer Price Index for the preceding 12-month period. The incremental borrowing rate is 2.82%.

Future minimum lease payments under this lease consisted of the following at June 30, 2023:

Fiscal			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	
2024	\$ 286,752	\$ 4,750	
2025	287,426	4,077	
2026	288,102	3,401	
2027	288,779	2,724	
2028	289,458	2,045	
2029	290,138	1,365	
2030	290,820	683	
Total	\$ <u>2,021,475</u>	\$ <u>19,045</u>	

## 10. Interfund Accounts

### *Receivables/Payables*

Although self-balancing funds are maintained, most transactions flow through the General Fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. All remaining balances at year end result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The following is a schedule of the June 30, 2023 balances of interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 78,032	\$ -
Nonmajor Governmental Funds:		
Special revenue funds:		
Chapter 90	<u>-</u>	<u>78,032</u>
Total	<u>\$ 78,032</u>	<u>\$ 78,032</u>

### *Transfers*

The Town reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The following is a schedule of major interfund transfers for the year ended June 30, 2023:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Governmental Funds</b>		
General Fund	\$ 73,152	\$ 4,424,404
Town Grants Fund	-	87,955
Community Preservation Fund	149,889	402,000
Nonmajor Governmental Funds:		
Receipts reserved	<u>-</u>	<u>80,184</u>
Capital project funds	<u>4,644,625</u>	<u>265,951</u>
Total Governmental Funds	<u>4,867,666</u>	<u>5,260,494</u>
<b>Proprietary Funds</b>		
Nonmajor Enterprise Funds:		
Stormwater management	266,779	16,063
Peg access	142,112	-
Total Proprietary Funds	408,891	16,063
Total	<u>\$ 5,276,557</u>	<u>\$ 5,276,557</u>

The transfers into the General Fund represent annual recurring amounts appropriated at Town Meeting. Transfers out of the General Fund include \$266,779 to provide working capital to the stormwater management enterprise fund and our practice of funding capital projects with available revenues. Funds transferred out of the Community Preservation Fund are for related capital projects and funds transferred into the Community Preservation Fund are balances remaining from completed capital projects.

## 11. Capital Assets

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

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<b>Governmental Activities</b>				
Capital assets, depreciable:				
Buildings and improvements	\$ 160,510,858	\$ 1,831,114	\$ (1,149,285)	\$ 161,192,687
Machinery, equipment, and furnishings	20,900,266	2,829,770	(4,661,070)	19,068,966
Infrastructure	<u>55,484,403</u>	<u>3,316,309</u>	<u>(205,957)</u>	<u>58,594,755</u>
Total capital assets, depreciable	236,895,527	7,977,193	(6,016,312)	238,856,408
Less accumulated depreciation for:				
Buildings and improvements	(56,013,533)	(4,447,781)	1,132,610	(59,328,704)
Machinery, equipment, and furnishings	(16,151,582)	(1,555,778)	4,661,070	(13,046,290)
Infrastructure	<u>(26,271,656)</u>	<u>(1,736,530)</u>	<u>205,957</u>	<u>(27,802,229)</u>
Total accumulated depreciation	<u>(98,436,771)</u>	<u>(7,740,089)</u>	<u>5,999,637</u>	<u>(100,177,223)</u>
Total capital assets, depreciable, net	138,458,756	237,104	(16,675)	138,679,185
Capital assets, not being depreciated:				
Land	18,518,029	-	-	18,518,029
Construction in progress	<u>1,594,504</u>	<u>1,044,315</u>	<u>(1,396,056)</u>	<u>1,242,763</u>
Total capital assets, non-depreciable	<u>20,112,533</u>	<u>1,044,315</u>	<u>(1,396,056)</u>	<u>19,760,792</u>
Governmental activities capital assets, net	<u>\$ 158,571,289</u>	<u>\$ 1,281,419</u>	<u>\$ (1,412,731)</u>	<u>\$ 158,439,977</u>

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<b>Business-Type Activities</b>				
Capital assets, depreciable:				
Buildings and improvements	\$ 745,000	\$ -	\$ (50,000)	\$ 695,000
Machinery, equipment, and furnishings	1,142,474	93,270	(505,000)	730,744
Infrastructure	<u>101,935,007</u>	<u>263,633</u>	<u>-</u>	<u>102,198,640</u>
Total capital assets, depreciable	103,822,481	356,903	(555,000)	103,624,384
Less accumulated depreciation for:				
Buildings and improvements	(600,417)	(11,250)	48,646	(563,021)
Machinery, equipment, and furnishings	(816,217)	(51,125)	503,500	(363,842)
Infrastructure	<u>(29,671,179)</u>	<u>(2,354,457)</u>	<u>-</u>	<u>(32,025,636)</u>
Total accumulated depreciation	<u>(31,087,813)</u>	<u>(2,416,832)</u>	<u>552,146</u>	<u>(32,952,499)</u>
Business-type activities capital assets, net	<u>\$ 72,734,668</u>	<u>\$ (2,059,929)</u>	<u>\$ (2,854)</u>	<u>\$ 70,671,885</u>

Depreciation expense was charged to functions of the Town as follows:

<b>Governmental Activities</b>	
General government	\$ 682,697
Public safety	903,514
Education	3,630,169
Public works	1,903,294
Health and human services	96,619
Culture and recreation	<u>523,796</u>
Total Governmental Activities	<u>\$ 7,740,089</u>
<b>Business-type Activities</b>	
Sewer	\$ 2,352,371
Water	25,758
Stormwater	37,926
Peg Access	<u>777</u>
Total Business-Type Activities	<u>\$ 2,416,832</u>

## **12. Deferred Outflows of Resources**

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

## **13. Accrued Liabilities**

Accrued liabilities are comprised primarily of interest accrued on bonds outstanding as of June 30, 2023.

## **14. Unearned Revenue**

Unearned revenue represents grant funds received by the Town from the American Rescue Plan Act (ARPA). These funds will be used for COVID-19 related expenditures or negative economic impacts of COVID-19 over the next several years.

## 15. Escrow Deposits

This balance represents deposits held by the Town until various projects are completed.

## 16. Long-Term Debt

### ***General Obligation Bonds and Loans***

The Town issues general obligation bonds and direct borrowings to provide funds for the acquisition and construction of major capital facilities and acquisitions. General obligation bonds and direct borrowings have been issued for both governmental and business-type activities. General obligation bonds and direct borrowings outstanding were as follows at June 30, 2023:

<u>Governmental Activities</u>	<u>Original Issue</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/23</u>
<u>General Obligation Bonds</u>				
Public offerings:				
School security equipment	\$ 313,000	10/15/23	5.00	\$ 100,000
Police station refunding	246,000	01/15/24	3.00	24,000
Library refunding	1,547,000	01/15/24	3.00	160,000
Library refunding	640,000	06/15/25	2.00 - 5.00	125,000
Salt shed refunding	19,000	06/15/25	2.00 - 5.00	4,000
Harmony Hall refunding	385,000	06/15/26	2.00 - 5.00	103,000
Police station refunding	3,790,000	06/15/26	2.00 - 5.00	676,000
Canney Farm land refunding	16,250	07/15/26	5.00	12,750
Fields	3,697,000	10/15/30	3.00 - 5.00	2,945,000
High school refunding	10,955,500	07/15/33	5.00	10,037,750
Salt shed refunding	97,750	07/15/33	5.00	89,500
Town hall refunding	4,301,000	07/15/33	5.00	4,010,000
Fields	315,000	10/15/34	2.00 - 5.00	265,000
Town hall construction	1,300,000	08/15/35	2.00 - 3.50	845,000
Public safety communications	280,000	08/15/35	2.00 - 3.50	140,000
Fields	100,000	10/15/35	2.00 - 5.00	80,000
High school construction	2,097,915	09/15/38	3.00 - 5.00	1,668,000
Fire station construction	5,600,000	10/15/40	2.00 - 5.00	5,025,000
School design	300,000	10/15/40	2.00 - 5.00	270,000
Englesby School roof	1,180,000	10/15/40	2.00 - 5.00	1,060,000
Brookside School roof	1,480,000	10/15/40	2.00 - 5.00	1,330,000
Police station Refunding	1,262,000	06/15/25	2.00 - 5.00	246,000
Fire station construction	900,000	03/15/42	3.25 - 5.00	895,000
Pedestrian safety and traffic improvements	965,000	03/15/42	3.25 - 5.00	<u>955,000</u>
Total public offerings				31,066,000
<u>Loans - Direct Borrowings</u>				
Dump truck	770,300	7/15/2024	5.52	<u>361,800</u>
Total loans - direct borrowings				<u>361,800</u>
Total Governmental Activities				<u>\$ 31,427,800</u>

<b>Business-Type Activities</b>	<u>Original Issue</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	Amount Outstanding				
				<u>as of 6/30/23</u>				
<b><u>General Obligation Bonds</u></b>								
Public offerings:								
Sewer refunding	\$ 1,737,000	01/15/25	3.00	\$ 316,000				
Sewer refunding	3,115,000	01/15/25	3.00	575,000				
Sewer refunding	1,059,000	06/15/27	2.00 - 5.00	348,000				
Sewer refunding	397,000	06/15/27	2.00 - 5.00	118,000				
Sewer refunding	1,570,000	09/15/30	3.00 - 5.00	1,060,000				
Sewer refunding	694,500	07/15/33	5.00	640,000				
Sewer	760,000	08/15/35	2.00 - 3.50	470,000				
Sewer	56,814	09/15/38	3.00 - 5.00	<u>37,000</u>				
Total public offerings				3,564,000				
<b><u>Loans - Direct Borrowings</u></b>								
MWPAT	1,633,353	07/25/26	2.00	381,560				
MWPAT	240,901	07/15/27	2.00	69,639				
MWPAT	2,712,363	07/15/28	2.00	927,114				
MWPAT	19,114	01/15/30	2.00	10,274				
MWPAT	8,987,229	07/15/30	2.00	3,837,271				
MWPAT	5,551,684	07/15/30	2.00	1,929,245				
MWPAT	2,054,374	07/15/30	2.00	921,357				
MWPAT	3,517,290	07/15/32	2.00	1,946,981				
MWPAT	282,804	01/15/33	2.00	156,545				
MWPAT	4,431,671	01/15/33	2.00	2,377,661				
MWPAT	9,559,545	01/15/35	2.00	5,989,925				
MWPAT	4,693,582	01/15/36	2.00	3,274,700				
MWPAT	181,873	01/15/37	2.00	<u>135,263</u>				
Total loans - direct borrowings				<u>21,957,535</u>				
Total Business-Type Activities				\$ <u>25,521,535</u>				

#### A. Future Debt Service

The annual payments to retire all general obligation bonds and loans outstanding as of June 30, 2023 are as follows:

<u>Governmental</u>	Bonds - Public Offerings			Loans - Direct Borrowings		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 3,118,000	\$ 1,267,256	\$ 4,385,256	\$ 180,900	\$ 18,777	\$ 199,677
2025	2,838,000	1,125,575	3,963,575	180,900	9,389	190,289
2026	2,658,000	995,627	3,653,627	-	-	-
2027	2,412,000	870,734	3,282,734	-	-	-
2028	2,412,000	754,104	3,166,104	-	-	-
2029	2,418,000	637,154	3,055,154	-	-	-
2030	2,433,000	519,639	2,952,639	-	-	-
2031	2,423,000	409,918	2,832,918	-	-	-
2032	2,058,000	315,990	2,373,990	-	-	-
2033	2,063,000	230,838	2,293,838	-	-	-
2034 - 2038	4,705,000	412,664	5,117,664	-	-	-
2039 - 2042	1,528,000	53,650	1,581,650	-	-	-
	<u>\$ 31,066,000</u>	<u>\$ 7,593,149</u>	<u>\$ 38,659,149</u>	<u>\$ 361,800</u>	<u>\$ 28,166</u>	<u>\$ 389,966</u>

<u>Business-type</u>	Bonds - Public Offerings			Loans - Direct Borrowings		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 817,000	\$ 126,381	\$ 943,381	\$ 2,110,673	\$ 427,070	\$ 2,537,743
2025	782,000	97,131	879,131	2,154,831	384,610	2,539,441
2026	352,000	69,936	421,936	2,199,814	341,262	2,541,076
2027	343,000	55,591	398,591	2,245,942	296,954	2,542,896
2028	233,000	42,721	275,721	2,192,677	252,836	2,445,513
2029	232,000	34,546	266,546	2,223,877	208,782	2,432,659
2030	227,000	26,461	253,461	2,104,837	165,815	2,270,652
2031	222,000	18,532	240,532	2,147,557	123,493	2,271,050
2032	92,000	12,635	104,635	1,279,559	89,453	1,369,012
2033	92,000	8,687	100,687	1,307,369	63,815	1,371,184
2034 - 2038	170,000	7,964	177,964	1,990,399	69,340	2,059,739
2039	<u>2,000</u>	<u>33</u>	<u>2,033</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,564,000</u>	<u>\$ 500,618</u>	<u>\$ 4,064,618</u>	<u>\$ 21,957,535</u>	<u>\$ 2,423,430</u>	<u>\$ 24,380,965</u>

The Town has issued direct borrowings from the Massachusetts Pollution Abatement Trust (MWPAT), a state revolving loan fund (SRF) of the Massachusetts Clean Water Trust (MCWT), a component unit of the Commonwealth of Massachusetts. MCWT issues special obligation bonds under its SRF programs to provide low-cost financing to cities, towns, and other eligible borrowers primarily for the construction and improvement of drinking water and wastewater infrastructure. There were no unused lines of credit or assets pledged as collateral for debt. The Town certified that rates and charges in the Sewer Fund have been set at a sufficient level to cover estimated operating expenses and debt service related to the Sewer Fund, including the debt service related to direct borrowings. In addition, the Town as an “obligated person” with respect Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, agrees to provide MCWT an annual report, not later than 270 days after the close of each fiscal year, that incorporates the most recently available audited financial statements to meet continuing disclosure requirements.

## B. Changes in Long-Term Liabilities

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

	Beginning <u>Balance</u>	Additions	Reductions	Ending <u>Balance</u>	Less: Current Portion	Equals Long-term Portion
<b>Governmental Activities</b>						
Bonds payable:						
Public offerings	\$ 34,206,500	\$ -	\$ (3,140,500)	\$ 31,066,000	\$ (3,118,000)	\$ 27,948,000
Loans - direct borrowing	-	770,300	(408,500)	361,800	(180,900)	180,900
Unamortized bond premium	6,465,523	-	(517,213)	5,948,310	(517,213)	5,431,097
Total bonds payable	40,672,023	770,300	(4,066,213)	37,376,110	(3,816,113)	33,559,997
Net pension liability	61,302,263	12,610,001	-	73,912,264	-	73,912,264
Net OPEB liability	146,982,005	3,560,495	-	150,542,500	-	150,542,500
Landfill liabilities	1,624,000	-	(45,000)	1,579,000	(45,000)	1,534,000
Accrued employee benefits	4,542,821	78,799	-	4,621,620	(138,649)	4,482,971
Subtotal	214,451,089	16,249,295	(45,000)	230,655,384	(183,649)	230,471,735
Total governmental activities	\$ 255,123,112	\$ 17,019,595	\$ (4,111,213)	\$ 268,031,494	\$ (3,999,762)	\$ 264,031,732
<b>Business-type Activities</b>						
<b>Sewer</b>						
Bonds payable:						
Public offerings	\$ 4,783,500	\$ -	\$ (1,219,500)	\$ 3,564,000	\$ (817,000)	\$ 2,747,000
Loans - direct borrowings	24,024,958	-	(2,067,423)	21,957,535	(2,110,673)	19,846,862
Unamortized bond premium	227,947	-	(20,943)	207,004	(20,943)	186,061
Total bonds payable	29,036,405	-	(3,307,866)	25,728,539	(2,948,616)	22,779,923
Net pension liability	789,753	36,250	-	826,003	-	826,003
Net OPEB liability	737,561	17,867	-	755,428	-	755,428
Accrued employee benefits	-	45,754	-	45,754	(1,373)	44,381
Total sewer	30,563,719	99,871	(3,307,866)	27,355,724	(2,949,989)	24,405,735
<b>Nonmajor Funds</b>						
Net pension liability	93,278	259,651	-	352,929	-	352,929
Net OPEB liability	174,656	4,230	-	178,886	-	178,886
Accrued employee benefits	-	19,608	-	19,608	(588)	19,020
Total nonmajor funds	267,934	283,489	-	551,423	(588)	550,835
Total business-type activities	\$ 30,831,653	\$ 383,360	\$ (3,307,866)	\$ 27,907,147	\$ (2,950,577)	\$ 24,956,570

## C. Long-Term Liabilities Supporting Governmental and Business-Type Activities

General obligation bonds and state revolving loans, issued by the Town for various municipal projects, are approved by Town Meeting and repaid with revenues recorded in the General Fund and user fees recorded in enterprise funds. All other long-term liabilities are repaid from the funds that the costs relate to, primarily the General Fund and enterprise funds.

**D. Bond Authorizations**

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2023 were as follows:

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount</u>
June 1998	Landfill	\$ 1,500,000
June 2008	Facility plans	1,420,000
June 2015	Senior housing complex	3,000,000
June 2022	Fire ladder truck	1,640,000
June 2022	Sewer relining phases 2-6	4,000,000
June 2023	School solar panels	<u>1,805,000</u>
	Total	\$ <u>13,365,000</u>

**17. Landfill Closure and Post-Closure Care Costs**

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

The \$1,579,000 reported as landfill post-closure care liability at June 30, 2023 represents the remaining estimated post-closure maintenance costs. These amounts are based on what it would cost to perform all post-closure care in fiscal year 2023. Actual cost may differ due to inflation, changes in technology, or changes in regulations.

**18. Deferred Inflows of Resources**

Deferred inflows of resources represent the acquisition of net assets by the Town that apply to future reporting periods. Deferred inflows of resources have a negative effect on net position/fund balance, similar to liabilities.

The Town reports five items as deferred inflows of resources (1) which is attributable to the changes in the Town's net pension liability, (2) one which is attributable to the changes in the Town's net OPEB liability, (3) one which is attributable to the gain on debt refunding, (4) one which is attributable to leases and (5) another which arises from the current financial resources measurement focus and the modified accrual basis of accounting in governmental funds (unavailable revenues).

Deferred inflows of resources related to pension and OPEB, in accordance with GASB Statements No. 69 and 75, will be recognized as decreases to expenses in future years as more fully described in the corresponding pension and OPEB notes.

Deferred inflows of resources related to the gain on the debt refunding will be recognized in expense over the remaining life of the bonds.

Deferred inflows of resources related to leases offset the lease receivable and will be recognized consistent with receivable activity.

Unavailable revenues are reported in the governmental funds Balance Sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

## 19. Governmental Funds – Fund Balances

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

	General Fund	Town Grants Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>					
Permanent funds	\$ -	\$ -	\$ -	\$ 259,721	\$ 259,721
Total nonspendable	-	-	-	259,721	259,721
<b>Restricted</b>					
Community preservation	-	-	8,021,541	-	8,021,541
School general purpose (School Choice)	-	-	-	877,767	877,767
Circuit breaker (special education)	-	-	-	1,108,750	1,108,750
Other school grants	-	-	-	367,599	367,599
Town grants	-	870,389	-	-	870,389
School lunch fund	-	-	-	1,465,120	1,465,120
Revolving funds	-	-	-	1,661,248	1,661,248
Receipts reserved for appropriation	-	-	-	558,313	558,313
Other special revenue funds	-	-	-	717,954	717,954
Capital project funds	-	-	-	883,778	883,778
Permanent funds	-	-	-	117,881	117,881
Total restricted	-	870,389	8,021,541	7,758,410	16,650,340
<b>Committed</b>					
Town hall stabilization	966,122	-	-	-	966,122
Special education stabilization	348,614	-	-	-	348,614
Other stabilization	337,120	-	-	-	337,120
School solar	336,000	-	-	-	336,000
School feasibility study	1,000,000	-	-	-	1,000,000
Capital projects	2,098,000	-	-	3,281,575	5,379,575
Total committed	5,085,856	-	-	3,281,575	8,367,431
<b>Assigned</b>					
Education	402,037	-	-	-	402,037
Information technology	66,574	-	-	-	66,574
Police department	26,981	-	-	-	26,981
Fire department	30,654	-	-	-	30,654
Building maintenance	97,413	-	-	-	97,413
Highway maintenance	69,042	-	-	-	69,042
Wage buy back	180,900	-	-	-	180,900
Council on aging	10,178	-	-	-	10,178
Library	21,020	-	-	-	21,020
Other	36,790	-	-	-	36,790
Total assigned	941,589	-	-	-	941,589
<b>Unassigned</b>					
General Fund	9,393,410	-	-	-	9,393,410
General stabilization fund	1,557,242	-	-	-	1,557,242
Deficit balances	-	-	-	(235,855)	(235,855)
Total unassigned	10,950,652	-	-	(235,855)	10,714,797
<b>Total Fund Balances</b>	<b>\$ 16,978,097</b>	<b>\$ 870,389</b>	<b>\$ 8,021,541</b>	<b>\$ 11,063,851</b>	<b>\$ 36,933,878</b>

## **20. Restricted Net Position**

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

<u>Purpose</u>	<u>Governmental Activities</u>
School grant programs	\$ 2,354,116
School lunch	1,465,120
Other school purposes	1,647,489
Cemetery	184,232
Library	198,790
Town grants fund	870,389
Community preservation	8,021,541
Community preservation capital	530,194
Permanent nonexpendable funds	259,721
Permanent expendable funds	117,881
Other	<u>967,004</u>
Total	\$ <u>16,616,477</u>

## **21. Middlesex County Retirement System**

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

### **A. Plan Description**

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Middlesex County Retirement System (the System), a cost-sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The System provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publicly available from the System located at 25 Linnell Circle, Billerica, Massachusetts 01865. Reports are also available on the System's website at [www.middlesexretirement.org](http://www.middlesexretirement.org).

#### *Participant Contributions*

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of Massachusetts General Laws. The employee's individual contribution percentage are as follows:

<u>Membership Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 to 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
1979 to present	An additional 2% of regular compensation in excess of \$30,000

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

#### *Participant Retirement Benefits*

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

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

There are three classes of membership in the Middlesex County Retirement System:

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

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the group position for at least 12 months immediately prior to retirement.

#### *Methods of Payment*

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

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member—provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.
- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit

payable increases (or “pops up” to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable “pops up” to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

*Participant Refunds*

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3.00%.

*Employer Contributions*

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

The Town’s contribution to the System for the year ended June 30, 2023 was \$6,564,528, which was \$10,135 more than its annual required contribution.

***B. Summary of Significant Accounting Policies***

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

***C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2023, the Town reported a liability of \$75,091,196 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2022, the Town’s proportion was 4.424780%, which was a decrease of 0.213395% from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the Town recognized pension expense of \$8,046,697. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 551,763	\$ -
Changes of assumptions	1,296,576	-
Net difference between projected and actual investment earnings on pension plan investments	6,037,070	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>2,635,063</u>	<u>2,823,620</u>
	<u><u>\$ 10,520,472</u></u>	<u><u>\$ 2,823,620</u></u>

There were no contributions subsequent to the measurement date as the Town's entire contribution for the year was paid prior to the measurement date. The Town's contributions are actuarially determined and not based on a measure of pay.

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

Year Ended June 30:

2024	\$ 1,643,026
2025	1,369,809
2026	1,923,774
2027	<u>2,760,243</u>
	<u><u>\$ 7,696,852</u></u>

#### **D. Actuarial Assumptions**

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

Valuation date	January 1, 2022
Actuarial cost method	Entry age normal cost method
Remaining amortization period	17 years from July 1, 2020
Inflation rate	3.25%
Salary increases	Varies by length of service with ultimate rates of 4.00% for Group 1, 4.25% for Group 2 and 4.50% for Group 4.
Investment rate of return	7.15%, net of investment expense, including inflation
Cost of living adjustments	3.00% of the first \$16,000

Mortality rates were based on the following:

- Pre-retirement – The RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2021.
- Healthy participants – The RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2021.
- Disabled retirees – The RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2021.

Significant assumptions are reevaluated as follows:

- Investment rate of return and inflation – annually
- Projected salary increases – biennially
- Mortality rates – to the extent the new mortality tables are available, but the numbers of expected death, terminations, disabilities, and retirements are compared to the actual numbers biennially.

The actuarial assumptions used in the January 1, 2022 valuation were based on the results of the most recent actuarial experience study, which was for the period January 1, 2020 – December 31, 2021.

#### ***E. Target Allocations***

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

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

#### ***F. Discount Rate***

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### ***G. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.15%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate

that is one-percentage-point lower or one-percentage-point higher than the current rate:

1%	Current	1%
Decrease	Discount Rate	Increase
<u>(6.15%)</u>	<u>(7.15%)</u>	<u>(8.15%)</u>
\$ 92,952,579	\$ 75,091,196	\$ 60,053,388

**H. Pension Plan Fiduciary Net Position**

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

**22. Massachusetts Teachers' Retirement System (MTRS)**

**A. Plan Description**

The Massachusetts Teachers' Retirement System (the MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* (GASB 67). The MTRS is managed by the Commonwealth of Massachusetts on behalf of municipal teachers and municipal teacher retirees. The Commonwealth of Massachusetts is a nonemployer contributor and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is part of the Commonwealth of Massachusetts' reporting entity and does not issue a stand-alone audited financial report.

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

**B. Benefits Provided**

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

group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

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

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

#### ***C. Contributions***

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

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

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

#### ***D. Actuarial Assumptions***

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

- (a) 2.50% inflation rate, (b) 7.00% investment rate of return, (c) 3.50% interest rate credited to the annuity savings fund and (d) 3.00% cost of living increase on the first \$13,000 per year.

- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality from 2012 - 2020.
- Mortality rates were as follows:
  - Pre-retirement – reflects Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
  - Post-retirement – reflects Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
  - Disability – assumed to be in accordance with the Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).

#### **E. Target Allocations**

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2022 are summarized in the following table:

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

#### **F. Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the

Commonwealth of Massachusetts' contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### **G. Sensitivity Analysis**

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

	Current	
1%	Discount	1%
Decrease	Rate	Increase
<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
\$ 23,734,080	\$ 25,888,138	\$ 20,094,302

#### **H. Special Funding Situation**

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

#### **I. Town Proportions**

In fiscal year 2022 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability was \$67,994,408 based on a proportionate share of 0.262647%. As required by GASB 68, the Town has recognized its portion of the Commonwealth of Massachusetts' contribution of \$5,527,678 as both a revenue and expenditure on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and its portion of the collective pension expense of \$5,593,203 as both a revenue and expense on the Statement of Activities.

### **23. Other Post-Employment Benefits**

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a

trust fund has been established to fund future OPEB costs. In fiscal year 2014, the Town established a single-employer defined benefit OPEB Trust Fund to provide funding for future employee health care costs. The OPEB plan does not issue a stand-alone financial report.

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

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

#### **A. General Information about the OPEB Plan**

##### *Plan Description*

The Town provides post-employment healthcare benefits for retired employees through the Town's single-employer defined benefit OPEB plan. The Town provides health insurance coverage through the Massachusetts Interlocal Insurance Association (MIIA). The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of Massachusetts General Laws.

##### *Benefits Provided*

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

##### *Funding Policy*

The Town's funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute. Additional contributions are based on annual budget limitations/authorizations.

##### *Plan Membership*

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

Inactive employees or beneficiaries currently receiving benefit payments	517
Active employees	<u>635</u>
Total	<u><u>1,152</u></u>

## ***B. Investments***

The OPEB Trust Fund assets consist primarily of investments in the Pension Reserves Investment Trust (PRIT) fund. The investments are irrevocable and invested for the sole purpose to provide funding for the Town's post-employment benefits for the exclusive benefit of the Town's retired employees and their eligible dependents; and for defraying the reasonable expenses of the OPEB Trust Fund in accordance with the Trust agreement.

The fair value of the investments of this type have been determined using the net asset value (NAV) per share (or its equivalent) of the Town's ownership of the PRIT fund.

### *Rate of Return*

For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 5.69%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

## ***C. Actuarial Assumptions***

The net OPEB liability was determined by an actuarial valuation as of July 1, 2021 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	July 1, 2021
Actuarial cost method	Entry age normal
Inflation	2.50% per year
Salary increases	3.00% per year
Investment rate of return	6.90%, compounded annually, net of fees
Discount rate	3.65%, net of investment expenses, including inflation
Healthcare cost trend rates	7.50% decreasing 0.60% per year to 5.70%, then grading down to an ultimate trend rate of 3.90%, utilizing the Society of Actuaries Getzen Medical Trend Model. The ultimate medical inflation rate is reached in 2075.
Retirees' share of benefit-related costs	20% - 25% of medical premium depending on the selected plan, 50% of dental premiums, and \$1.56 towards the monthly life insurance premiums
Participation rate	Medical - 80% of eligible retired employees will elect to participate. Dental - 85% of eligible retirees will elect to participate. Life - 80% of eligible retirees will elect to participate. Medicare - all retired employees are assumed to enroll in Medicare at age 65.

Mortality rates were based on the following:

Mortality Rates:	
Pre-retirement:	
Non-teachers	RP-2014 Blue Collar Employee Mortality Table projected generationally using Scale MP-2021
Teachers	Pub-2010 Teachers Headcount-Weighted Employee Mortality Table, base year 2010, projected generationally with Scale MP-2020
Post-retirement:	
Healthy (non-teachers)	RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally using Scale MP-2021
Disabled (non-teachers)	RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally using Scale MP-2021
Healthy (teachers)	Pub-2010 Teacher Headcount-Weighted Retiree Mortality Table, base year 2010, projected generationally with Scale MP-2020
Disabled (teachers)	Pub-2010 Teacher Headcount-Weighted Disabled Mortality Table, base year 2010, projected generationally with Scale MP-2020

#### **D. Target Allocations**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2023 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	37.00%	4.72%
Core fixed income	15.00%	1.74%
Value added fixed income	8.00%	5.20%
Private equity	16.00%	7.60%
Real estate	10.00%	3.10%
Timberland	4.00%	4.40%
Portfolio completion strategies	<u>10.00%</u>	3.90%
	<u><u>100.00%</u></u>	

**E. Contributions**

In addition to the implicit subsidy contribution, the Town's policy is to contribute the actuarially determined contribution or amounts provided annually by the budget.

**F. Discount Rate**

The discount rate used to measure the net OPEB liability was 3.65% (Previously 3.54%) and was based on the municipal bond rate at June 30, 2023. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. As a result, the discount rate used was 3.65%, based on index provided by the Bond Buyer 20-Bond General Obligation Index on 20-year municipal bond rate as of June 30, 2023.

**G. Net OPEB Liability**

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

Total OPEB liability	\$ 152,305,826
Plan fiduciary net position	<u>829,012</u>
Net OPEB liability	\$ <u>151,476,814</u>

Plan fiduciary net position as a percentage of the total OPEB liability 0.54%

The fiduciary net position has been determined on the same basis used by the OPEB plan. For this purpose, the plan recognizes benefit payments when due and payable.

**H. Changes in the Net OPEB Liability**

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

	Increase (Decrease)				
	Plan				
	Total OPEB Liability <u>(a)</u>	Fiduciary Net Position <u>(b)</u>	Net OPEB Liability <u>(a) - (b)</u>		
Balances, beginning of year	\$ 148,678,608	\$ 784,386	\$ 147,894,222		
Changes for the year:					
Service cost	5,884,648	-	5,884,648		
Interest	5,390,953	-	5,390,953		
Contributions - employer	-	4,552,846	(4,552,846)		
Net investment income	-	44,626	(44,626)		
Changes of assumptions	(3,095,537)	-	(3,095,537)		
Benefit payments	<u>(4,552,846)</u>	<u>(4,552,846)</u>	-		
Net Changes	<u>3,627,218</u>	<u>44,626</u>	<u>3,582,592</u>		
Balances, end of year	<u>\$ 152,305,826</u>	<u>\$ 829,012</u>	<u>\$ 151,476,814</u>		

Changes of benefit terms reflect an update to the retiree contributions rates from the prior valuation.

Changes of assumptions reflect a change in the discount rate from 3.54% in fiscal year 2022 to 3.65% in fiscal year 2023. In addition, the inflation rate was updated to reflect current experience.

**I. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

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

	1%	Current	1%
Decrease	Discount Rate	Increase	
<u>(2.65%)</u>	<u>(3.65%)</u>	<u>(4.65%)</u>	
\$ 179,161,804	\$ 151,476,814	\$ 129,651,925	

**J. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

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

1% <u>Decrease</u>	Current Healthcare Cost Trend <u>Rates</u>	1% <u>Increase</u>
\$ 125,483,882	\$ 151,476,814	\$ 185,652,694

**K. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2023, the Town recognized an OPEB expense of \$8,063,372. At June 30, 2023, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 5,700,452	\$ 1,333,398
Changes of assumptions	3,302,061	24,666,523
Net difference between projected and actual investment earnings on OPEB plan investments	<u>11,398</u>	-
	<u>\$ 9,013,911</u>	<u>\$ 25,999,921</u>

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

**Year Ended June 30:**

2024	\$ (1,659,106)
2025	(4,967,726)
2026	(3,573,898)
2027	(3,368,975)
2028	(3,020,366)
Thereafter	<u>(395,939)</u>
	<u>\$ (16,986,010)</u>

## **24. Deferred Compensation**

The Town also offers its employees one deferred compensation plan in accordance with Internal Revenue Code Section 457(b) through the International City/County Management Association's (ICMA) Retirement Corporation. The plan permits full-time employees to defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, or death. The Town has no liability for losses under the plans, but does have the duty of due care that would be required of an ordinary prudent investor for safeguarding purposes only. The investments are self-directed by employees. There were no employer contributions to the 457 plan for the fiscal year ending June 30, 2023.

## **25. Commitments and Contingencies**

### ***Outstanding Legal Issues***

On an ongoing basis, there are typically pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

### ***Grants***

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

### ***Abatements***

There are several cases pending before the Appellate Tax Board in regard to alleged discrepancies in property assessments. According to Town Counsel, the probable outcome of these cases at the present time is indeterminable, although the Town expects such amounts, if any, to be immaterial.

### ***Encumbrances***

At year-end, the Town's General Fund had \$941,589 in encumbrances that will be honored in the next fiscal year.

## **26. Tax Abatements**

The Town provides property tax abatements authorized under Massachusetts General Laws (MGL), Chapter 12A, Section 3E, *Economic Opportunity Areas*, and MGL Chapter 59, Section 5, Clause 51, *Property; exemptions*. The purpose of the tax abatement program is to provide property tax assessment relief to stimulate job creation in distressed areas, attract new businesses, encourage business expansion, and increase overall economic

development in Massachusetts. Tax Increment Financing (TIF) agreements are utilized as tools by which the difference between the beginning assessed value of the property and the value added by new construction or rehabilitation is exempted from taxation. Applicants may be granted property tax exemptions of up to 100% of the tax increment for a maximum term of 20 years and must initiate a TIF agreement by a vote of its governing body approving the TIF plan. A TIF zone must be in an area approved by the Economic Assistance Coordinating Council (EACC) as an Economic Opportunity Area (EOA) or found to be an area “presenting exceptional opportunities for economic development” by the Director of Economic Development. Certification of the TIF plan is issued by the EACC after the plan is accepted by municipal vote.

Property tax revenues were reduced by \$116,086 under TIF agreements entered into by the Town during fiscal year 2023.

## **27. New Pronouncements**

The Governmental Accounting Standards Board (GASB) has issued GASB Statement No. 100, *Accounting Changes and Error Corrections* (an amendment of GASB Statement No. 62), effective for the Town for fiscal year ending June 30, 2024. This statement enhances accounting and financial reporting requirements for accounting changes and error corrections. Management is currently evaluating the impact of implementing this GASB pronouncement.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF DRACUT, MASSACHUSETTS**

Required Supplementary Information  
General Fund

Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) – Budget and Actual  
For the Year Ended June 30, 2023  
(Unaudited)

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
<b>Revenues</b>				
Property taxes	\$ 56,961,414	\$ 56,961,414	\$ 57,123,620	\$ 162,206
Excises	4,750,000	4,750,000	5,133,864	383,864
Penalties, interest, and other taxes	1,771,000	1,771,000	3,546,887	1,775,887
Charges for services	522,200	522,200	418,443	(103,757)
Intergovernmental	29,365,583	29,365,583	29,998,299	632,716
Licenses and permits	612,900	612,900	644,587	31,687
Investment income	93,000	93,000	619,151	526,151
Miscellaneous	-	-	236,256	236,256
<b>Total Revenues</b>	<b>94,076,097</b>	<b>94,076,097</b>	<b>97,721,107</b>	<b>3,645,010</b>
<b>Expenditures</b>				
Town Manager:				
General government	4,217,462	4,391,136	4,251,490	139,646
Public safety	10,743,188	11,008,332	10,735,432	272,900
Public works	5,778,358	6,217,987	6,047,469	170,518
Snow and ice	563,000	648,000	648,000	-
Health and human services	800,684	811,374	741,295	70,079
Culture and recreation	1,047,584	1,064,395	1,035,834	28,561
Debt service	4,302,271	4,302,271	4,236,645	65,626
Employee benefits	18,851,293	18,851,293	18,298,075	553,218
Intergovernmental	3,856,766	3,856,766	4,485,182	(628,416)
School Department:				
Operations	36,330,000	36,634,909	36,627,476	7,433
Transportation	2,900,000	2,900,000	2,855,932	44,068
Greater Lowell Regional Technical High School Education Assessments	4,911,236	4,911,236	4,911,236	-
Greater Lowell Regional Technical High School Transportation Assessment	292,157	292,157	292,157	-
Essex North Shore Agricultural and Technical High School Assessment	35,000	35,000	20,516	14,484
<b>Total Expenditures</b>	<b>94,628,999</b>	<b>95,924,856</b>	<b>95,186,739</b>	<b>738,117</b>
Excess (deficiency) of revenues over (under) expenditures	(552,902)	(1,848,759)	2,534,368	4,383,127
<b>Other Financing Sources (Uses)</b>				
Transfers in	819,681	819,681	883,908	64,227
Transfers out	(4,914,404)	(4,914,404)	(4,914,404)	-
Use of free cash:				
Operating budget	500,000	500,000	-	(500,000)
Capital budget	3,096,000	3,096,000	-	(3,096,000)
Pedestrian safety improvements	1,051,625	1,051,625	-	(1,051,625)
Snow and ice	-	85,000	-	(85,000)
Other sources (prior year encumbrances)	-	1,210,857	1,210,857	-
<b>Total Other Financing Sources (Uses)</b>	<b>552,902</b>	<b>1,848,759</b>	<b>(2,819,639)</b>	<b>(4,668,398)</b>
Deficit of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ (285,271)	\$ (285,271)

See Independent Auditors' Report and notes to the Required Supplementary Information.

**Notes to the Required Supplementary Information  
for General Fund Budget**

***Budgetary Basis***

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

***Budget/GAAP Reconciliation***

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

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

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
GAAP Basis	\$ 103,362,189	\$ 99,048,829	\$ (4,351,252)
Add previous year carryforwards as a financing source	-	-	1,210,857
To book current year appropriation carryforwards	-	941,588	-
Reclass indirect cost reimbursements to respective enterprise funds	-	724,000	724,000
To reverse the effect of non-budgeted State contributions for teachers retirement	(5,527,678)	(5,527,678)	-
To eliminate non-budgeted stabilization fund activity	<u>(113,404)</u>	<u>-</u>	<u>(403,244)</u>
<b>Budgetary Basis</b>	<b><u>\$ 97,721,107</u></b>	<b><u>\$ 95,186,739</u></b>	<b><u>\$ (2,819,639)</u></b>

**TOWN OF DRACUT, MASSACHUSETTS**

Required Supplementary Information  
Schedule of Proportionate Share of the Net Pension Liability  
(Unaudited)

**Middlesex County Retirement System**

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2023	December 31, 2022	4.424780%	\$ 75,091,196	\$ 18,032,108	416.43%	52.61%
June 30, 2022	December 31, 2021	4.638175%	\$ 62,185,294	\$ 17,308,432	359.28%	61.14%
June 30, 2021	December 31, 2020	4.348534%	\$ 66,580,110	\$ 17,454,816	381.44%	53.42%
June 30, 2020	December 31, 2019	4.305325%	\$ 68,887,607	\$ 16,709,878	412.26%	49.45%
June 30, 2019	December 31, 2018	4.206681%	\$ 65,601,775	\$ 15,326,864	428.02%	46.40%
June 30, 2018	December 31, 2017	4.235256%	\$ 60,106,114	\$ 14,681,016	409.41%	49.27%
June 30, 2017	December 31, 2016	3.977461%	\$ 57,818,789	\$ 14,484,571	399.18%	45.49%
June 30, 2016	December 31, 2015	4.059516%	\$ 52,368,527	\$ 14,583,214	359.10%	46.13%
June 30, 2015	December 31, 2014	4.054044%	\$ 48,701,871	\$ 14,022,321	347.32%	47.65%

**Massachusetts Teachers' Retirement System**

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town</u>	<u>Total Net Pension Liability Associated with the Town</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2023	June 30, 2022	0.262647%	\$ -	\$ 67,994,408	\$ 21,618,506	0.00%	52.61%
June 30, 2022	June 30, 2021	0.274610%	\$ -	\$ 62,355,240	\$ 21,298,719	0.00%	62.03%
June 30, 2021	June 30, 2020	0.256057%	\$ -	\$ 73,091,195	\$ 19,400,842	0.00%	50.67%
June 30, 2020	June 30, 2019	0.262408%	\$ -	\$ 66,163,672	\$ 19,095,819	0.00%	53.95%
June 30, 2019	June 30, 2018	0.266360%	\$ -	\$ 63,157,309	\$ 18,706,106	0.00%	54.84%
June 30, 2018	June 30, 2017	0.255865%	\$ -	\$ 58,555,783	\$ 17,374,431	0.00%	54.25%
June 30, 2017	June 30, 2016	0.278479%	\$ -	\$ 62,262,091	\$ 18,317,388	0.00%	52.73%
June 30, 2016	June 30, 2015	0.277686%	\$ -	\$ 56,896,967	\$ 17,602,205	0.00%	55.38%
June 30, 2015	June 30, 2014	0.278634%	\$ -	\$ 44,292,663	\$ 17,084,427	0.00%	61.64%

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

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

See Independent Auditors' Report.

**TOWN OF DRACUT, MASSACHUSETTS**

Required Supplementary Information  
Schedule of Pension Contributions  
(Unaudited)

**Middlesex County Retirement System**

Fiscal Year	Measurement Date	Contributions in Relation to the					Contributions as a Percentage of Covered Payroll
		Contractually Required <u>Contribution</u>	Contractually Required <u>Contribution</u>	Contribution Deficiency <u>(Excess)</u>	Covered Payroll		
June 30, 2023	December 31, 2022	\$ 6,554,393	\$ 6,564,528	\$ (10,135)	\$ 18,392,750	35.64%	
June 30, 2022	December 31, 2021	\$ 6,152,234	\$ 6,152,234	\$ -	\$ 17,654,601	34.85%	
June 30, 2021	December 31, 2020	\$ 5,727,860	\$ 5,727,860	\$ -	\$ 17,803,912	32.17%	
June 30, 2020	December 31, 2019	\$ 5,348,633	\$ 5,348,633	\$ -	\$ 17,044,076	31.38%	
June 30, 2019	December 31, 2018	\$ 4,804,354	\$ 4,804,354	\$ -	\$ 15,645,763	30.71%	
June 30, 2018	December 31, 2017	\$ 4,506,526	\$ 4,506,526	\$ -	\$ 14,752,046	30.55%	
June 30, 2017	December 31, 2016	\$ 4,233,672	\$ 4,233,672	\$ -	\$ 14,451,278	29.30%	
June 30, 2016	December 31, 2015	\$ 3,970,321	\$ 3,970,321	\$ -	\$ 14,485,679	27.41%	
June 30, 2015	December 31, 2014	\$ 3,864,705	\$ 3,864,705	\$ -	\$ 14,010,594	27.58%	

**Massachusetts Teachers' Retirement System**

Fiscal Year	Measurement Date	Contributions in Relation to the					Contributions as a Percentage of Covered Payroll
		Contractually Required <u>Contribution</u>	Contractually Required <u>Contribution</u>	Contribution Deficiency <u>(Excess)</u>	Covered Payroll		
June 30, 2023	June 30, 2022	\$ 5,527,678	\$ 5,527,678	\$ -	\$ 22,050,876	25.07%	
June 30, 2022	June 30, 2021	\$ 4,801,501	\$ 4,801,501	\$ -	\$ 21,724,693	22.10%	
June 30, 2021	June 30, 2020	\$ 3,977,681	\$ 3,977,681	\$ -	\$ 19,788,859	20.10%	
June 30, 2020	June 30, 2019	\$ 3,788,414	\$ 3,788,414	\$ -	\$ 19,477,735	19.45%	
June 30, 2019	June 30, 2018	\$ 3,502,052	\$ 3,502,052	\$ -	\$ 19,080,228	18.35%	
June 30, 2018	June 30, 2017	\$ 3,161,255	\$ 3,161,255	\$ -	\$ 17,721,920	17.84%	
June 30, 2017	June 30, 2016	\$ 3,131,725	\$ 3,131,725	\$ -	\$ 18,683,736	16.76%	
June 30, 2016	June 30, 2015	\$ 2,837,761	\$ 2,837,761	\$ -	\$ 17,954,249	15.81%	
June 30, 2015	June 30, 2014	\$ 2,611,858	\$ 2,611,858	\$ -	\$ 17,426,116	14.99%	

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

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

See Independent Auditors' Report.

**TOWN OF DRACUT, MASSACHUSETTS**

Required Supplementary Information  
Schedule of Changes in the Net OPEB Liability  
(Unaudited)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB Liability</b>							
Service cost	\$ 5,884,648	\$ 6,316,000	\$ 6,131,844	\$ 4,949,869	\$ 4,605,049	\$ 4,766,437	\$ 5,811,944
Interest	5,390,953	3,572,920	3,705,296	5,241,294	5,839,575	5,454,222	4,294,781
Changes of benefit terms	-	1,947,898	-	(5,991,583)	-	-	-
Differences between expected and actual experience	-	8,036,704	(3,202,642)	-	360,781	-	14,291,493
Changes of assumptions	(3,095,537)	(28,132,789)	(4,962,899)	16,510,306	(7,856,855)	(7,006,957)	(17,546,337)
Benefit payments, including refunds of member contributions	<u>(4,552,846)</u>	<u>(4,318,163)</u>	<u>(3,867,206)</u>	<u>(4,119,273)</u>	<u>(4,707,074)</u>	<u>(4,322,562)</u>	<u>(4,078,342)</u>
Net change in total OPEB liability	3,627,218	(12,577,430)	(2,195,607)	16,590,613	(1,758,524)	(1,108,860)	2,773,539
Total OPEB liability - beginning	<u>148,678,608</u>	<u>161,256,038</u>	<u>163,451,645</u>	<u>146,861,032</u>	<u>148,619,556</u>	<u>149,728,416</u>	<u>146,954,877</u>
Total OPEB liability - ending (a)	<u>152,305,826</u>	<u>148,678,608</u>	<u>161,256,038</u>	<u>163,451,645</u>	<u>146,861,032</u>	<u>148,619,556</u>	<u>149,728,416</u>
<b>Plan Fiduciary Net Position</b>							
Contributions - employer	4,552,846	4,318,163	3,867,206	4,119,273	4,832,074	4,447,562	4,078,342
Net investment income	44,626	(30,404)	183,802	12,079	37,812	1,340	885
Benefit payments, including refunds of member contributions	<u>(4,552,846)</u>	<u>(4,318,163)</u>	<u>(3,867,206)</u>	<u>(4,119,273)</u>	<u>(4,707,074)</u>	<u>(4,322,562)</u>	<u>(3,978,342)</u>
Net change in plan fiduciary net position	44,626	(30,404)	183,802	12,079	162,812	126,340	100,885
Plan fiduciary net position - beginning	<u>784,386</u>	<u>814,790</u>	<u>630,988</u>	<u>618,909</u>	<u>456,097</u>	<u>329,757</u>	<u>228,872</u>
Plan fiduciary net position - ending (b)	<u>829,012</u>	<u>784,386</u>	<u>814,790</u>	<u>630,988</u>	<u>618,909</u>	<u>456,097</u>	<u>329,757</u>
Net OPEB liability - ending (a-b)	<u>\$ 151,476,814</u>	<u>\$ 147,894,222</u>	<u>\$ 160,441,248</u>	<u>\$ 162,820,657</u>	<u>\$ 146,242,123</u>	<u>\$ 148,163,459</u>	<u>\$ 149,398,659</u>

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

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

See Independent Auditors' Report.

**TOWN OF DRACUT, MASSACHUSETTS**

Required Supplementary Information  
Schedules of the Net OPEB Liability, Contributions, and Investment Returns  
(Unaudited)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Schedule of Net OPEB Liability</b>							
Total OPEB liability	\$ 152,305,826	\$ 148,678,608	\$ 161,256,038	\$ 163,451,645	\$ 146,861,032	\$ 148,619,556	\$ 149,728,416
Plan fiduciary net position	829,012	784,386	814,790	630,988	618,909	456,097	329,757
Net OPEB liability	<u>\$ 151,476,814</u>	<u>\$ 147,894,222</u>	<u>\$ 160,441,248</u>	<u>\$ 162,820,657</u>	<u>\$ 146,242,123</u>	<u>\$ 148,163,459</u>	<u>\$ 149,398,659</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.54%	0.53%	0.51%	0.39%	0.42%	0.31%	0.22%
Covered-employee payroll <sup>(1)</sup>	\$ 44,205,941	\$ 38,408,279	\$ 39,616,804	\$ 14,696,246	\$ 13,716,674	\$ 34,748,100	\$ 33,691,223
Participating employer net OPEB liability as a percentage of covered employee payroll	342.66%	385.06%	404.98%	1107.91%	1066.16%	426.39%	443.43%
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Schedule of Contributions</b>							
Actuarially determined contribution	\$ 11,593,312	\$ 11,291,716	\$ 6,162,361	\$ 6,631,296	\$ 6,356,960	\$ 6,121,928	\$ 7,859,895
Contributions in relation to the actuarially determined contribution	4,552,846	4,318,163	3,867,206	4,119,273	4,832,074	4,447,562	4,078,342
Contribution deficiency	<u>\$ 7,040,466</u>	<u>\$ 6,973,553</u>	<u>\$ 2,295,155</u>	<u>\$ 2,512,023</u>	<u>\$ 1,524,886</u>	<u>\$ 1,674,366</u>	<u>\$ 3,781,553</u>
Covered-employee payroll <sup>(1)</sup>	\$ 44,205,941	\$ 38,408,279	\$ 39,616,804	\$ 14,696,246	\$ 13,716,674	\$ 34,748,100	\$ 33,691,223
Contributions as a percentage of covered employee payroll	10.30%	11.24%	9.76%	28.03%	35.23%	12.80%	12.11%
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Schedule of Investment Returns</b>							
Annual money weighted rate of return, net of investment expense	5.69%	(3.73%)	Not provided				

<sup>(1)</sup> 2019 & 2020 information didn't include School's covered payroll

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

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

See Independent Auditors' Report.

**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

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## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

Special Revenue Funds are established to account for resources obtained and expended for specified purposes and restricted by law or local action.

Special Revenue Funds are established for the following purposes:

**Revolving Funds:** To account for receipts which may be spent without appropriation for expenditures related to the source of the receipt.

**Receipts Reserved:** To account for receipts, which according to Massachusetts General Laws, must be segregated in the treasury and appropriated to be spent for specific purposes.

**School Grants:** To account for various school grant programs other than school lunch.

**School Lunch:** To account for operating revenues and expenditures associated with the School Department student lunch program.

**Chapter 90:** To account for the revenues and expenditures related to the Town's Chapter 90 state grant program.

**Other:** To account for funds appropriated for purposes outside of the previous categories, such as gifts and donations.

### CAPITAL PROJECT FUNDS

Capital Project Funds are established to account for resources obtained and expended for the acquisition of major capital facilities or equipment other than those employed in the delivery of services accounted for in enterprise funds.

### PERMANENT FUNDS

Permanent Funds are established to account for certain assets held by the Town in a fiduciary capacity as trustee. Funds are used to report resources that are legally restricted to the extent that only the earnings, and not principal, may be used for purposes that benefit the Town or its citizenry.

**TOWN OF DRACUT, MASSACHUSETTS**

Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2023

Special Revenue Funds					
	<u>Revolving Funds</u>	<u>Receipts Reserved</u>	<u>School Grants</u>	<u>School Lunch</u>	<u>Chapter 90</u>
<b>Assets</b>					
Cash and short-term investments	\$ 1,703,865	\$ 560,474	\$ 2,346,118	\$ 1,522,205	\$ -
Receivables:					
Leases	2,021,475	-	-	-	-
Departmental and other	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 3,725,340</b>	<b>\$ 560,474</b>	<b>\$ 2,346,118</b>	<b>\$ 1,522,205</b>	<b>\$ -</b>
<b>Liabilities</b>					
Accounts payable	\$ 40,097	\$ 2,161	\$ 42,378	\$ 7,208	\$ 1,293
Accrued payroll and withholdings	2,520	-	48,222	49,877	-
Due to other funds	-	-	-	-	78,032
<b>Total Liabilities</b>	<b>42,617</b>	<b>2,161</b>	<b>90,600</b>	<b>57,085</b>	<b>79,325</b>
<b>Deferred Inflows of Resources</b>					
Related to leases	2,021,475	-	-	-	-
<b>Fund Balances</b>					
Nonspendable	-	-	-	-	-
Restricted	1,661,248	558,313	2,354,116	1,465,120	-
Committed	-	-	-	-	-
Unassigned	-	-	(98,598)	-	(79,325)
<b>Total Fund Balances</b>	<b>1,661,248</b>	<b>558,313</b>	<b>2,255,518</b>	<b>1,465,120</b>	<b>(79,325)</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 3,725,340</b>	<b>\$ 560,474</b>	<b>\$ 2,346,118</b>	<b>\$ 1,522,205</b>	<b>\$ -</b>

(continued)

See Independent Auditors' Report.

**TOWN OF DRACUT, MASSACHUSETTS**

Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2023

(continued)

	<u>Special Revenue Funds</u>				Total Nonmajor Governmental Funds
	<u>Other</u>	<u>Subtotal</u>	<u>Capital Project Funds</u>	<u>Permanent Funds</u>	
<b>Assets</b>					
Cash and short-term investments	\$ 621,800	\$ 6,754,462	\$ 4,135,534	\$ 377,602	\$ 11,267,598
Receivables:					
Leases	-	2,021,475	-	-	2,021,475
Departmental and other	<u>126,442</u>	<u>126,442</u>	-	-	<u>126,442</u>
Total Assets	<u>\$ 748,242</u>	<u>\$ 8,902,379</u>	<u>\$ 4,135,534</u>	<u>\$ 377,602</u>	<u>\$ 13,415,515</u>
<b>Liabilities</b>					
Accounts payable	\$ 2,631	\$ 95,768	\$ 24,738	\$ -	\$ 120,506
Accrued payroll and withholdings	31,032	131,651	-	-	131,651
Due to other funds	-	78,032	-	-	78,032
Total Liabilities	33,663	305,451	24,738	-	330,189
<b>Deferred Inflows of Resources</b>					
Related to leases	-	2,021,475	-	-	2,021,475
<b>Fund Balances</b>					
Nonspendable	-	-	-	259,721	259,721
Restricted	717,954	6,756,751	883,778	117,881	7,758,410
Committed	-	-	3,281,575	-	3,281,575
Unassigned	<u>(3,375)</u>	<u>(181,298)</u>	<u>(54,557)</u>	-	<u>(235,855)</u>
Total Fund Balances	<u>714,579</u>	<u>6,575,453</u>	<u>4,110,796</u>	<u>377,602</u>	<u>11,063,851</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 748,242</u>	<u>\$ 8,902,379</u>	<u>\$ 4,135,534</u>	<u>\$ 377,602</u>	<u>\$ 13,415,515</u>

See Independent Auditors' Report.

**TOWN OF DRACUT, MASSACHUSETTS**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2023

<u>Special Revenue Funds</u>					
	<u>Revolving Funds</u>	<u>Receipts Reserved</u>	<u>School Grants</u>	<u>School Lunch</u>	<u>Chapter 90</u>
<b>Revenues</b>					
Charges for services	\$ 1,068,654	\$ 16,858	\$ -	\$ 220,144	\$ -
Intergovernmental	-	74,229	4,216,744	2,165,842	404,095
Investment income	-	-	-	-	-
Miscellaneous	<u>67,395</u>	<u>73,189</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	1,136,049	164,276	4,216,744	2,385,986	404,095
<b>Expenditures</b>					
Current:					
General government	39,026	2,738	-	-	-
Public safety	120,595	-	-	-	-
Education	354,005	-	4,626,361	2,043,249	-
Public works	20,642	100	-	-	115,083
Health and human services	22,615	-	-	-	-
Culture and recreation	<u>231,969</u>	<u>26,275</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>788,852</u>	<u>29,113</u>	<u>4,626,361</u>	<u>2,043,249</u>	<u>115,083</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	347,197	135,163	(409,617)	342,737	289,012
<b>Other Financing Sources (Uses)</b>					
Loan proceeds	-	-	-	-	-
Transfers in	-	76	-	-	-
Transfers out	-	<u>(140,184)</u>	<u>(101,982)</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(140,108)</u>	<u>(101,982)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	347,197	(4,945)	(511,599)	342,737	289,012
Fund Balances at Beginning of Year	<u>1,314,051</u>	<u>563,258</u>	<u>2,767,117</u>	<u>1,122,383</u>	<u>(368,337)</u>
Fund Balances at End of Year	<u>\$ 1,661,248</u>	<u>\$ 558,313</u>	<u>\$ 2,255,518</u>	<u>\$ 1,465,120</u>	<u>\$ (79,325)</u>

(continued)

See Independent Auditors' Report.

**TOWN OF DRACUT, MASSACHUSETTS**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2023

(continued)

	Special Revenue Funds					Total Nonmajor Governmental Funds	
	<u>Other</u>	<u>Subtotal</u>	<u>Capital Project Funds</u>	<u>Permanent Funds</u>	<u>Interfund Activity</u>		
<b>Revenues</b>							
Charges for services	\$ 1,044,219	\$ 2,349,875	\$ -	\$ 2,520	\$ -	\$ 2,352,395	
Intergovernmental	100,577	6,961,487	241,366	2,877	-	7,205,730	
Investment income	5,026	5,026	-	7,451	-	12,477	
Miscellaneous	<u>176,542</u>	<u>317,126</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>317,126</u>	
Total Revenues	1,326,364	9,633,514	241,366	12,848	-	9,887,728	
<b>Expenditures</b>							
Current:							
General government	51,206	92,970	388,358	-	-	481,328	
Public safety	1,068,850	1,189,445	380,608	-	-	1,570,053	
Education	192,969	7,216,584	2,690,548	-	-	9,907,132	
Public works	4,500	140,325	2,161,555	-	-	2,301,880	
Health and human services	17,386	40,001	36,852	-	-	76,853	
Culture and recreation	-	258,244	32,947	-	-	291,191	
Total Expenditures	<u>1,334,911</u>	<u>8,937,569</u>	<u>5,690,868</u>	<u>-</u>	<u>-</u>	<u>14,628,437</u>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,547)	695,945	(5,449,502)	12,848	-	(4,740,709)	
<b>Other Financing Sources (Uses)</b>							
Loan proceeds	-	-	770,300	-	-	770,300	
Transfers in	-	76	4,806,607	-	(162,058)	4,644,625	
Transfers out	-	(242,166)	(266,027)	-	162,058	(346,135)	
Total Other Financing Sources (Uses)	-	(242,090)	5,310,880	-	-	5,068,790	
Net Change in Fund Balances	(8,547)	453,855	(138,622)	12,848	-	328,081	
Fund Balances at Beginning of Year	<u>723,126</u>	<u>6,121,598</u>	<u>4,249,418</u>	<u>364,754</u>	<u>-</u>	<u>10,735,770</u>	
Fund Balances at End of Year	<u>\$ 714,579</u>	<u>\$ 6,575,453</u>	<u>\$ 4,110,796</u>	<u>\$ 377,602</u>	<u>\$ -</u>	<u>\$ 11,063,851</u>	

See Independent Auditors' Report.

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## **PROPRIETARY FUNDS**

## **NONMAJOR ENTERPRISE FUNDS**

**Stormwater Fund:** To account for stormwater management operations in the Town.

**Water Fund:** To account for water operations attributable to the Kenwood Water Department which supplies much of the eastern portion of the Town of Dracut.

**PEG Access Fund:** To account for cable related operations in the Town.

**TOWN OF DRACUT, MASSACHUSETTS**

Combining Statement of Net Position

Nonmajor Enterprise Funds

June 30, 2023

	Business-Type Activities			
	Stormwater Fund	Water Fund	PEG Access Fund	Total Nonmajor Enterprise Funds
<b>Assets</b>				
Current Assets:				
Cash and short-term investments	\$ 726,388	\$ 1,882,042	\$ 142,673	\$ 2,751,103
User fees receivable	-	<u>182,922</u>	-	<u>182,922</u>
Total Current Assets	726,388	2,064,964	142,673	2,934,025
Noncurrent Assets:				
Capital assets, depreciable, net	<u>205,628</u>	<u>513,378</u>	<u>92,493</u>	<u>811,499</u>
Total Noncurrent Assets	<u>205,628</u>	<u>513,378</u>	<u>92,493</u>	<u>811,499</u>
Total Assets	932,016	2,578,342	235,166	3,745,524
<b>Deferred Outflows of Resources</b>				
Related to pension	-	49,446	-	49,446
Related to OPEB	-	<u>10,644</u>	-	<u>10,644</u>
Total Deferred Outflows of Resources	-	60,090	-	60,090
<b>Liabilities</b>				
Current Liabilities:				
Accounts payable	1,806	118,621	-	120,427
Accrued payroll and withholdings	4,749	1,377	-	6,126
Current portion of long-term liabilities:				
Accrued employee benefits	-	<u>588</u>	-	<u>588</u>
Total Current Liabilities	6,555	120,586	-	127,141
Noncurrent Liabilities:				
Accrued employee benefits, net of current portion	-	19,020	-	19,020
Net pension liability	-	352,929	-	352,929
Net OPEB liability	-	<u>178,886</u>	-	<u>178,886</u>
Total Noncurrent Liabilities	-	<u>550,835</u>	-	<u>550,835</u>
Total Liabilities	6,555	671,421	-	677,976
<b>Deferred Inflows of Resources</b>				
Related to pension	-	13,272	-	13,272
Related to OPEB	-	<u>30,705</u>	-	<u>30,705</u>
Total Deferred Inflows of Resources	-	43,977	-	43,977
<b>Net Position</b>				
Net investment in capital assets	205,628	513,378	92,493	811,499
Unrestricted	<u>719,833</u>	<u>1,409,656</u>	<u>142,673</u>	<u>2,272,162</u>
Total Net Position	<u>\$ 925,461</u>	<u>\$ 1,923,034</u>	<u>\$ 235,166</u>	<u>\$ 3,083,661</u>

See Independent Auditors' Report.

**TOWN OF DRACUT, MASSACHUSETTS**

Combining Statement of Revenues, Expenses, and Changes in Net Position  
Nonmajor Enterprise Funds  
For the Year Ended June 30, 2023

	Business-Type Activities			
	Stormwater Fund	Water Fund	PEG Access Fund	Total Nonmajor Enterprise Funds
<b>Operating Revenues</b>				
Charges for services	\$ 1,439	\$ 1,974,281	\$ 547,727	\$ 2,523,447
Total Operating Revenues	1,439	1,974,281	547,727	2,523,447
<b>Operating Expenses</b>				
Salaries and benefits	238,887	452,712	-	691,599
Other operating expenses	210,541	1,102,827	533,407	1,846,775
Depreciation	<u>37,926</u>	<u>25,758</u>	<u>777</u>	<u>64,461</u>
Total Operating Expenses	<u>487,354</u>	<u>1,581,297</u>	<u>534,184</u>	<u>2,602,835</u>
Operating Income (Loss)	(485,915)	392,984	13,543	(79,388)
<b>Nonoperating Revenues</b>				
Investment income	<u>17,055</u>	<u>27,512</u>	<u>1,040</u>	<u>45,607</u>
Total Nonoperating Revenues, Net	<u>17,055</u>	<u>27,512</u>	<u>1,040</u>	<u>45,607</u>
Income (Loss) Before Transfers	(468,860)	420,496	14,583	(33,781)
<b>Transfers</b>				
Transfers in	266,779	-	142,112	408,891
Transfers out	<u>(16,063)</u>	<u>-</u>	<u>-</u>	<u>(16,063)</u>
Change in Net Position	(218,144)	420,496	156,695	359,047
Net Position at Beginning of Year	<u>1,143,605</u>	<u>1,502,538</u>	<u>78,471</u>	<u>2,724,614</u>
Net Position at End of Year	<u>\$ 925,461</u>	<u>\$ 1,923,034</u>	<u>\$ 235,166</u>	<u>\$ 3,083,661</u>

See Independent Auditors' Report.

**TOWN OF DRACUT, MASSACHUSETTS**

Combining Statement of Cash Flows  
Nonmajor Enterprise Funds  
For the Year Ended June 30, 2023

	Business-Type Activities				Total Nonmajor Enterprise Funds
	Stormwater Fund	Water Fund	PEG Access Fund		
<b>Cash Flows From Operating Activities</b>					
Receipts from customers and users	\$ 1,464	\$ 1,907,736	\$ 547,727	\$ 2,456,927	
Payments to employees for salaries and benefits	(238,887)	(210,817)	-	(449,704)	
Payments to suppliers and service providers	<u>(215,954)</u>	<u>(990,581)</u>	<u>(533,407)</u>	<u>(1,739,942)</u>	
Net Cash Provided By (Used For) Operating Activities	<u>(453,377)</u>	<u>706,338</u>	<u>14,320</u>	<u>267,281</u>	
<b>Cash Flows From Noncapital Financing Activities</b>					
Transfers in	266,779	-	142,112	408,891	
Transfers out	<u>(16,063)</u>	<u>-</u>	<u>-</u>	<u>(16,063)</u>	
Net Cash Provided By Noncapital Financing Activities	<u>250,716</u>	<u>-</u>	<u>142,112</u>	<u>392,828</u>	
<b>Cash Flows From Capital and Related Financing Activities</b>					
Acquisition and construction of capital assets	-	1,500	(93,270)	(91,770)	
Net Cash Provided By (Used For) Capital and Related Financing Activities	<u>-</u>	<u>1,500</u>	<u>(93,270)</u>	<u>(91,770)</u>	
<b>Cash Flows From Investing Activities</b>					
Investment income	<u>17,055</u>	<u>27,512</u>	<u>1,040</u>	<u>45,607</u>	
Net Cash Provided By Investing Activities	<u>17,055</u>	<u>27,512</u>	<u>1,040</u>	<u>45,607</u>	
Net Change in Cash and Short-Term Investments	<u>(185,606)</u>	<u>735,350</u>	<u>64,202</u>	<u>613,946</u>	
Cash and Short-Term Investments, Beginning of Year	<u>911,994</u>	<u>1,146,692</u>	<u>78,471</u>	<u>2,137,157</u>	
Cash and Short-Term Investments, End of Year	<u>\$ 726,388</u>	<u>\$ 1,882,042</u>	<u>\$ 142,673</u>	<u>\$ 2,751,103</u>	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities</b>					
Operating income (loss)	\$ (485,915)	\$ 392,984	\$ 13,543	\$ (79,388)	
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	37,926	25,758	777	64,461	
Changes in assets, liabilities, and deferred outflows/inflows:					
User fees receivable	-	(66,545)	-	(66,545)	
Accounts payable	<u>(5,413)</u>	<u>112,246</u>	<u>-</u>	<u>106,833</u>	
Accrued payroll and withholdings	25	255	-	280	
Accrued employee benefits liability	-	19,608	-	19,608	
Net pension liability and related deferrals	-	217,886	-	217,886	
Net OPEB liability and related deferrals	<u>-</u>	<u>4,146</u>	<u>-</u>	<u>4,146</u>	
Net Cash Provided By (Used For) Operating Activities	<u>\$ (453,377)</u>	<u>\$ 706,338</u>	<u>\$ 14,320</u>	<u>\$ 267,281</u>	

See Independent Auditors' Report.

## STATISTICAL SECTION



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## **TOWN OF DRACUT, MASSACHUSETTS**

### **STATISTICAL SECTION**

The Town's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.

#### **Financial Trends:**

These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.

#### **Revenue Capacity:**

These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.

#### **Debt Capacity:**

These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.

#### **Demographic and Economic Information:**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.

#### **Operating Information:**

These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.

**TOWN OF DRACUT, MASSACHUSETTS**  
**Net Position By Component**  
**Last Ten Fiscal Years**

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Governmental Activities</b>										
Net investment in capital assets	\$ 96,239,149	\$ 106,969,364	\$ 112,722,291	\$ 114,411,779	\$ 117,564,229	\$ 119,200,653	\$ 119,728,978	\$ 118,824,926	\$ 119,318,802	\$ 121,357,451
Restricted	10,536,164	12,505,071	9,017,772	9,240,722	10,508,842	11,111,992	17,861,610	15,204,954	15,436,228	16,616,477
Unrestricted	(24,365,052)	(79,322,424)	(82,654,052)	(84,823,856)	(198,634,704)	(202,755,925)	(215,407,609)	(213,079,182)	(215,288,513)	(218,771,852)
Total governmental activities net position	\$ 82,410,261	\$ 40,152,011	\$ 39,086,011	\$ 38,828,645	\$ (70,561,633)	\$ (72,443,280)	\$ (77,817,021)	\$ (79,049,302)	\$ (80,533,483)	\$ (80,797,924)
<b>Business-type activities</b>										
Net investment in capital assets	\$ 28,984,420	\$ 32,043,858	\$ 34,539,513	\$ 36,184,287	\$ 37,881,164	\$ 39,644,196	\$ 41,070,831	\$ 41,968,162	\$ 43,624,931	\$ 44,879,181
Unrestricted	3,440,508	1,746,127	1,208,000	1,465,578	1,466,169	1,943,513	3,356,449	5,342,499	5,797,821	6,234,529
Total business-type activities net position	\$ 32,424,928	\$ 33,789,985	\$ 35,747,513	\$ 37,649,865	\$ 39,347,333	\$ 41,587,709	\$ 44,427,280	\$ 47,310,661	\$ 49,422,752	\$ 51,113,710
<b>Primary Government</b>										
Net investment in capital assets	\$ 125,223,569	\$ 139,013,222	\$ 147,261,804	\$ 150,596,066	\$ 155,445,393	\$ 158,844,849	\$ 160,799,809	\$ 160,793,088	\$ 162,943,733	\$ 166,236,632
Restricted	10,536,164	12,505,071	9,017,772	9,240,722	10,508,842	11,111,992	17,861,610	15,204,954	15,436,228	16,616,477
Unrestricted	(20,924,544)	(77,576,297)	(81,446,052)	(83,358,278)	(197,168,535)	(200,812,412)	(212,051,160)	(207,736,683)	(209,490,692)	(212,537,323)
Total primary government net position	\$ 114,835,189	\$ 73,941,996	\$ 74,833,524	\$ 76,478,510	\$ (31,214,300)	\$ (30,855,571)	\$ (33,389,741)	\$ (31,738,641)	\$ (31,110,731)	\$ (29,684,214)

Data source: Audited financial statements

**TOWN OF DRACUT, MASSACHUSETTS**  
**Changes in Net Position**  
**Last Ten Fiscal Years**

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Expenses</b>										
Governmental activities:										
General government	\$ 2,441,181	\$ 3,077,451	\$ 3,090,034	\$ 4,414,502	\$ 4,787,438	\$ 5,329,771	\$ 5,948,019	\$ 7,462,669	\$ 8,068,345	\$ 7,401,796
Public safety	7,942,564	7,899,057	8,264,665	13,750,592	14,329,564	14,849,687	16,565,706	17,045,845	17,502,016	18,998,928
Education	44,655,884	41,582,139	46,025,529	64,712,563	66,370,490	66,343,840	67,843,640	73,758,408	71,317,145	78,900,402
Public works	6,442,294	6,585,729	6,072,740	8,075,388	8,524,111	8,692,961	8,909,488	8,996,083	9,598,638	8,128,224
Health and human services	804,198	807,609	669,960	1,084,658	1,060,569	1,078,598	1,169,219	1,112,298	1,108,045	1,243,742
Culture and recreation	1,495,251	1,397,793	1,200,579	2,020,338	1,842,607	2,075,991	1,987,329	2,106,395	2,267,413	2,301,852
Debt service interest	1,663,592	2,188,729	2,104,586	1,586,643	1,431,038	1,486,361	1,822,506	1,118,277	1,258,766	856,343
Employee benefits <sup>(1)</sup>	17,430,797	18,581,433	19,879,501	-	-	-	-	-	-	-
Intergovernmental <sup>(1)</sup>	1,612,825	1,943,863	2,503,854	-	-	-	-	-	-	-
Total governmental activities expenses	<u>84,488,586</u>	<u>84,063,803</u>	<u>89,811,448</u>	<u>95,644,684</u>	<u>98,345,817</u>	<u>99,857,209</u>	<u>104,245,907</u>	<u>111,599,975</u>	<u>111,120,368</u>	<u>117,831,287</u>
Business-type activities:										
Sewer operations	4,009,714	4,369,098	4,908,601	5,920,102	5,547,041	5,524,716	5,627,388	4,891,386	5,919,068	6,240,329
Water operations	1,051,104	1,156,503	1,173,437	1,228,571	1,245,987	1,304,258	1,331,166	1,570,966	1,552,309	1,581,297
Stormwater operations	-	-	-	-	-	77,007	238,325	458,871	454,722	487,354
PEG access operations	-	-	-	-	-	-	-	-	302,674	534,184
Total business-type activities expenses	<u>5,060,818</u>	<u>5,525,601</u>	<u>6,082,038</u>	<u>7,148,673</u>	<u>6,793,028</u>	<u>6,905,981</u>	<u>7,196,879</u>	<u>6,921,223</u>	<u>8,228,773</u>	<u>8,843,164</u>
Total primary government expenses	<u>\$ 89,549,404</u>	<u>\$ 89,589,404</u>	<u>\$ 95,893,486</u>	<u>\$ 102,793,357</u>	<u>\$ 105,138,845</u>	<u>\$ 106,763,190</u>	<u>\$ 111,442,786</u>	<u>\$ 118,521,198</u>	<u>\$ 119,349,141</u>	<u>\$ 126,674,451</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 333,389	\$ 409,079	\$ 420,356	\$ 374,968	\$ 417,812	\$ 396,821	\$ 339,135	\$ 268,426	\$ 359,324	\$ 335,049
Public safety	532,212	715,061	1,000,247	971,705	958,298	1,090,282	858,013	1,608,790	1,771,141	1,714,744
Education	1,113,243	1,203,061	1,560,316	1,531,270	1,683,954	1,638,567	1,343,911	511,017	1,019,622	983,801
Public works	28,132	124,817	32,232	33,949	22,561	32,031	187,464	33,532	92,929	39,366
Health and human services	45,093	45,296	42,840	42,420	99,157	192,540	77,049	47,246	75,362	93,462
Culture and recreation	210,543	253,488	231,867	254,387	204,532	231,501	210,294	130,487	206,494	249,003
Operating grants and contributions	31,212,977	26,832,728	28,859,340	32,165,092	30,702,061	30,506,736	32,670,699	42,991,257	37,080,764	39,689,389
Capital grants and contributions	2,950,386	6,639,406	2,050,357	3,590,381	3,020,529	2,376,483	895,983	-	-	241,366
Total government activities program revenues	<u>36,425,975</u>	<u>36,222,936</u>	<u>34,197,555</u>	<u>38,964,172</u>	<u>37,108,904</u>	<u>36,464,961</u>	<u>36,582,548</u>	<u>45,590,755</u>	<u>40,605,636</u>	<u>43,346,180</u>
Business-type activities:										
Charges for services:										
Sewer operations	6,510,032	6,543,801	6,661,452	7,656,667	7,759,864	7,315,790	7,376,730	7,462,294	7,564,340	7,460,436
Water operations	1,006,534	951,825	1,129,299	1,156,412	1,301,300	1,468,386	1,518,790	1,731,107	1,561,092	1,974,281
Stormwater operations	-	-	-	-	-	-	-	100	41,650	1,439
PEG Access operations	-	-	-	-	-	-	-	-	380,813	547,727
Capital grants and contributions	-	-	242,901	229,650	211,402	196,311	108,636	75,481	70,305	55,500
Total business-type activities revenues	<u>7,516,566</u>	<u>7,495,626</u>	<u>8,033,652</u>	<u>9,042,729</u>	<u>9,272,566</u>	<u>8,980,487</u>	<u>9,004,156</u>	<u>9,268,982</u>	<u>9,618,200</u>	<u>10,039,383</u>
Total primary government revenues	<u>\$ 43,942,541</u>	<u>\$ 43,718,562</u>	<u>\$ 42,231,207</u>	<u>\$ 48,006,901</u>	<u>\$ 46,381,470</u>	<u>\$ 45,445,448</u>	<u>\$ 45,586,704</u>	<u>\$ 54,859,737</u>	<u>\$ 50,223,836</u>	<u>\$ 53,385,563</u>
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (48,062,611)	\$ (47,840,867)	\$ (55,613,893)	\$ (56,680,512)	\$ (61,236,913)	\$ (63,392,248)	\$ (67,663,359)	\$ (66,009,220)	\$ (70,514,732)	\$ (74,485,107)
Business-type activities	2,455,748	1,970,025	1,951,614	1,894,056	2,479,538	2,074,506	1,807,277	2,347,759	1,389,427	1,196,219
Total primary government net (expense)	<u>\$ (45,606,863)</u>	<u>\$ (45,870,842)</u>	<u>\$ (53,662,279)</u>	<u>\$ (54,786,456)</u>	<u>\$ (58,757,375)</u>	<u>\$ (61,317,742)</u>	<u>\$ (65,856,082)</u>	<u>\$ (63,661,461)</u>	<u>\$ (69,125,305)</u>	<u>\$ (73,288,888)</u>

(continued)

**TOWN OF DRACUT, MASSACHUSETTS**  
**Changes in Net Position**  
**Last Ten Fiscal Years**

(continued)

	<b>Fiscal Year</b>									
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Property taxes	\$ 40,554,245	\$ 43,791,357	\$ 45,240,037	\$ 46,872,382	\$ 48,791,851	\$ 51,136,038	\$ 53,000,404	\$ 54,510,606	\$ 56,175,542	\$ 58,192,965
Excises	3,929,184	4,511,203	4,591,787	4,723,234	4,890,142	4,955,160	4,467,649	5,055,269	4,964,507	5,336,775
Penalties, interest, and other taxes	452,328	199,927	996,411	935,135	1,103,160	815,856	709,114	1,267,225	3,419,757	3,549,305
Grants and contributions not restricted to specific programs	18,914,258	3,359,579	3,393,080	3,497,078	3,920,627	3,959,829	3,868,208	3,805,725	4,271,321	6,000,660
Investment income (loss)	137,593	187,538	121,342	81,753	15,426	386,011	799,858	54,738	(431,267)	980,407
Miscellaneous	1,371,846	670,524	205,236	313,564	230,894	405,907	403,651	483,564	1,300,391	553,382
Transfers	179,000	179,000	-	-	200,000	(148,200)	(1,000,000)	(500,278)	(669,700)	(392,828)
Total governmental activities	65,538,454	52,899,128	54,547,893	56,423,146	59,152,100	61,510,601	62,248,884	64,676,849	69,030,551	74,220,666
Business-type activities:										
Investment income	10,508	7,605	6,301	7,909	16,366	17,247	32,294	35,344	52,964	101,911
Miscellaneous	317,337	248,000	-	-	-	423	-	-	-	-
Transfers	(179,000)	(179,000)	-	-	(200,000)	148,200	1,000,000	500,278	669,700	392,828
Total business-type activities	148,845	76,605	6,301	7,909	(183,634)	165,870	1,032,294	535,622	722,664	494,739
Total primary government	\$ 65,687,299	\$ 52,975,733	\$ 54,554,194	\$ 56,431,055	\$ 58,968,466	\$ 61,676,471	\$ 63,281,178	\$ 65,212,471	\$ 69,753,215	\$ 74,715,405
<b>Changes in Net Position</b>										
Governmental activities	\$ 17,475,843	\$ 5,058,261	\$ (1,066,000)	\$ (257,366)	\$ (2,084,813)	\$ (1,881,647)	\$ (5,414,475)	\$ (1,332,371)	\$ (1,484,181)	\$ (264,441)
Business-type activities	2,604,593	2,046,630	1,957,915	1,901,965	2,295,904	2,240,376	2,839,571	2,883,381	2,112,091	1,690,958
Total primary government changes in net position	\$ 20,080,436	\$ 7,104,891	\$ 891,915	\$ 1,644,599	\$ 211,091	\$ 358,729	\$ (2,574,904)	\$ 1,551,010	\$ 627,910	\$ 1,426,517

Data source: Audited financial statements

(concluded)

NOTE: <sup>(1)</sup>Employee benefits and intergovernmental expenditures were allocated to the individual functions beginning in fiscal year 2017.

**TOWN OF DRACUT, MASSACHUSETTS**  
**Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>General Fund</b>										
Restricted	\$ -	\$ 1,016,859	\$ 837,418	\$ 757,008	\$ 523,893	\$ 469,684	\$ 409,124	\$ -	\$ 30,573	\$ -
Committed	1,876,357	1,801,283	1,725,966	2,451,071	2,486,864	2,603,945	1,627,410	3,054,620	5,761,633	5,085,856
Assigned	51,168	70,602	89,324	108,842	112,848	50,634	3,900	1,323,385	1,210,858	941,589
Unassigned	4,722,033	5,443,001	7,765,255	7,873,139	9,089,153	11,152,058	12,503,891	11,414,635	10,012,925	10,950,652
<b>Total general fund</b>	<b>6,649,558</b>	<b>8,331,745</b>	<b>10,417,963</b>	<b>11,190,060</b>	<b>12,212,758</b>	<b>14,276,321</b>	<b>14,544,325</b>	<b>15,792,640</b>	<b>17,015,989</b>	<b>16,978,097</b>
<b>All Other Governmental Funds</b>										
Nonspendable	241,132	250,412	261,770	249,718	249,720	249,720	259,720	259,720	259,720	259,721
Restricted	14,269,719	11,237,800	7,918,584	8,991,003	10,259,124	10,878,433	12,174,688	14,945,234	16,666,044	16,650,340
Committed	-	-	643,223	403,526	692,653	456,625	1,514,690	2,921,535	2,225,365	3,281,575
Unassigned	(148,757)	(4,238,331)	(3,760,488)	(4,074,474)	(2,647,572)	(768,045)	(8,109,708)	(1,250,465)	(475,665)	(235,855)
<b>Total all other governmental funds</b>	<b>14,362,094</b>	<b>7,249,881</b>	<b>5,063,089</b>	<b>5,569,773</b>	<b>8,553,925</b>	<b>10,816,733</b>	<b>5,839,390</b>	<b>16,876,024</b>	<b>18,675,464</b>	<b>19,955,781</b>
<b>Total fund Balances</b>	<b>\$ 21,011,652</b>	<b>\$ 15,581,626</b>	<b>\$ 15,481,052</b>	<b>\$ 16,759,833</b>	<b>\$ 20,766,683</b>	<b>\$ 25,093,054</b>	<b>\$ 20,383,715</b>	<b>\$ 32,668,664</b>	<b>\$ 35,691,453</b>	<b>\$ 36,933,878</b>

Data Source: Audited Financial statements

**TOWN OF DRACUT, MASSACHUSETTS**  
**Changes in Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Revenues</b>										
Property taxes	\$ 40,576,039	\$ 43,845,679	\$ 45,413,604	\$ 46,831,492	\$ 48,869,713	\$ 50,787,280	\$ 52,953,777	\$ 54,583,700	\$ 56,426,848	\$ 58,223,398
Excises	4,012,303	4,465,906	4,568,760	4,704,280	4,895,598	4,949,207	4,832,128	4,926,551	4,931,657	5,133,864
Penalties, interest, and other taxes	422,589	482,321	761,033	782,056	1,138,018	876,132	709,114	1,267,225	3,419,757	3,549,305
Charges for services	1,879,546	2,285,369	2,558,818	2,564,334	2,545,843	2,723,183	2,255,545	2,015,620	2,788,231	2,770,838
Intergovernmental	52,722,881	32,969,458	29,648,991	37,461,799	36,304,975	33,894,861	33,199,810	41,746,853	41,149,838	45,865,890
Licenses and permits	383,066	445,851	735,224	635,689	862,545	858,559	760,321	583,878	736,641	644,587
Investment income (loss)	137,202	187,419	121,145	81,507	15,085	385,535	799,858	54,738	(431,267)	980,407
Contributions	34,288	48,011	60,752	90,500	75,205	81,315	-	-	-	-
Miscellaneous	237,039	512,175	205,239	247,836	230,769	380,115	403,651	483,564	1,300,391	553,382
Total Revenue	100,404,953	85,242,189	84,073,566	93,399,493	94,937,751	94,936,187	95,914,204	105,662,129	110,322,096	117,721,671
<b>Expenditures</b>										
General government	8,785,079	5,488,910	6,724,280	2,970,088	4,203,028	4,930,059	3,819,542	5,974,383	5,806,034	6,089,525
Public safety	7,368,182	8,078,666	8,689,124	8,453,704	8,611,693	9,621,745	11,600,309	15,079,019	11,732,459	12,344,012
Education	68,313,907	46,519,488	39,748,122	47,530,084	45,181,850	46,200,829	50,138,002	53,641,800	53,146,160	60,054,729
Public works	6,597,206	6,304,540	5,652,282	8,185,305	8,058,665	6,659,434	6,539,498	6,616,949	9,056,774	9,215,559
Health and human services	730,652	748,783	739,059	770,933	766,390	754,496	860,811	837,461	2,326,157	873,020
Culture and recreation	1,206,683	1,169,587	1,161,235	1,159,381	1,230,520	1,260,817	2,948,902	1,112,908	1,343,734	1,331,439
Employee benefits	14,271,011	13,989,965	14,667,957	14,964,780	15,168,063	15,255,284	15,798,246	16,584,675	16,495,436	17,910,440
Debt service:										
Principal	3,037,631	4,379,630	4,318,630	3,559,630	3,462,000	3,306,631	2,980,686	2,485,500	3,448,000	3,140,500
Interest	1,259,707	2,245,122	1,834,419	1,685,611	1,540,795	1,567,298	1,398,450	1,494,627	1,294,226	1,412,312
Intergovernmental	1,612,825	1,943,863	2,503,854	2,841,196	3,388,192	3,788,612	3,579,831	3,866,316	4,028,586	4,485,182
Total Expenditures	113,182,883	90,868,554	86,038,962	92,120,712	91,611,196	93,345,205	99,664,277	107,693,638	108,677,566	116,856,718
Excess (deficiency) of revenues over (under) expenditures	(12,777,930)	(5,626,365)	(1,965,396)	1,278,781	3,326,555	1,590,982	(3,750,073)	(2,031,509)	1,644,530	864,953
<b>Other Financing Sources (Uses)</b>										
Issuance of bonds	31,250,000	-	-	-	-	2,578,186	-	12,985,000	1,865,000	-
Premiums on bonds	1,134,807	-	-	-	-	111,062	-	1,950,702	182,959	-
Issuance of refunding bonds	-	1,793,000	6,594,000	-	-	-	-	15,370,500	-	-
Premium on refunding bonds	-	109,539	708,176	-	-	-	-	4,099,542	-	-
Payments to refunded bond escrow agent	-	(1,885,000)	(5,596,281)	-	-	-	-	(19,689,098)	-	-
Loan proceeds	-	-	158,927	-	480,295	-	-	-	-	770,300
Transfers in	1,883,284	3,183,916	4,647,114	1,766,956	1,823,533	1,306,368	2,679,075	2,692,940	3,055,288	4,867,666
Transfers out	(1,704,284)	(3,004,916)	(4,647,114)	(1,766,956)	(1,623,533)	(1,260,227)	(3,679,075)	(3,193,218)	(3,724,988)	(5,260,494)
Total other financing sources (uses)	32,563,807	196,539	1,864,822	-	680,295	2,735,389	(1,000,000)	14,216,368	1,378,259	377,472
Net change in fund balances	\$ 19,785,877	\$ (5,429,826)	\$ (100,574)	\$ 1,278,781	\$ 4,006,850	\$ 4,326,371	\$ (4,750,073)	\$ 12,184,859	\$ 3,022,789	\$ 1,242,425

<sup>(1)</sup> Debt service as a percentage of noncapital expenditures

5.35% 8.59% 7.77% 5.99% 5.78% 5.51% 4.82% 4.15% 4.60% 4.17%

Data Source: Audited Financial statements

Notes: <sup>(1)</sup> Capital outlay expenditures are not included in this calculation

**TOWN OF DRACUT, MASSACHUSETTS**  
**Assessed Value<sup>(1)</sup> of Taxable Property by Classification**  
**Last Ten Fiscal Years**

Fiscal Year	Assessed Value							Total Town Value
	Residential Value	Residential Tax Rate <sup>(2)</sup>	Commercial Value	Industrial Value	Personal Property			
2014	\$ 2,504,925,425	\$ 14.49	\$ 142,870,485	\$ 50,039,590	\$ 80,555,623			\$ 2,778,391,123
2015	\$ 2,618,892,738	\$ 14.93	\$ 149,859,082	\$ 51,572,280	\$ 84,420,993			\$ 2,904,745,093
2016	\$ 2,734,559,948	\$ 14.84	\$ 149,405,272	\$ 51,287,880	\$ 88,978,256			\$ 3,024,231,356
2017	\$ 2,903,842,448	\$ 14.50	\$ 156,368,552	\$ 54,767,500	\$ 91,218,146			\$ 3,206,196,646
2018	\$ 3,108,442,458	\$ 14.14	\$ 168,362,562	\$ 54,644,030	\$ 87,935,860			\$ 3,419,384,910
2019	\$ 3,310,539,041	\$ 13.75	\$ 190,306,311	\$ 57,480,505	\$ 99,973,547			\$ 3,658,299,404
2020	\$ 3,552,308,629	\$ 13.35	\$ 189,939,661	\$ 57,436,705	\$ 93,790,010			\$ 3,893,475,005
2021	\$ 3,774,910,916	\$ 13.01	\$ 194,374,287	\$ 55,885,960	\$ 103,586,249			\$ 4,128,757,412
2022	\$ 4,147,212,836	\$ 12.29	\$ 200,298,761	\$ 59,455,200	\$ 110,864,520			\$ 4,517,831,317
2023	\$ 4,538,626,817	\$ 11.58	\$ 220,613,926	\$ 62,913,415	\$ 118,482,844			\$ 4,940,637,002

Source: Board of Assessors, Town of Dracut

<sup>(1)</sup>Assessed value is comparable to estimated actual value.

<sup>(2)</sup>There is no separate rate for overlapping governments.

**TOWN OF DRACUT, MASSACHUSETTS**  
**Principal Taxpayers**  
**Current Year and Nine Years Ago**

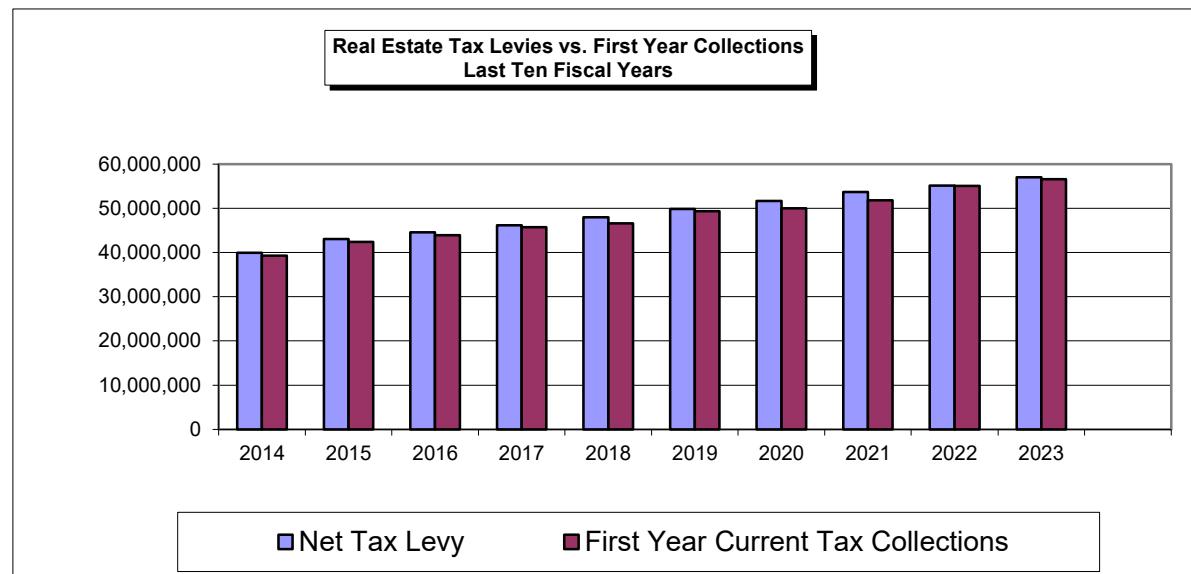
Name	Nature of Business	Assessed Valuation	Rank	2023		2014		Percentage of Total Taxable Assessed Value
				Assessed Value	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	
Massachusetts Electric, Co.	Utility	\$ 29,132,509	1	0.59%	\$ 17,806,364	1	0.64%	
Colonial Gas	Real Estate	24,576,547	2	0.50%	14,232,600	3	0.51%	
Corcoran Skyline, LLC	Utility	22,295,800	3	0.45%	12,768,875	4	0.46%	
New England Power, Co.	Utility	19,512,840	4	0.39%	6,957,575	7	0.25%	
Princeton Dracut, LLC	Real Estate	14,437,700	5	0.29%	8,556,600	5	0.31%	
Robbins Avenue LLC	Real Estate	12,360,100	6	0.25%	6,461,400	9	0.23%	
Brox Industries, Inc	Real Estate	10,809,400	7	0.22%	6,805,600	11	0.24%	
Maritime & Northeast Pipeline	Utility	10,441,000	8	0.21%	14,467,200	2	0.52%	
Grassfield Commons	Real Estate	10,138,200	9	0.21%	131,300	10	0.00%	
Dracut Real Estate	Real Estate	9,984,700	10	0.20%	7,906,800	6	0.28%	
Antonio Katsikas	Real Estate	9,883,700	11	0.20%	6,443,700	8	0.23%	
				\$ 173,572,496	3.40%	\$ 102,538,014	3.70%	

Source: Board of Assessors; Town of Dracut; Massachusetts Division of Local Services

2014 Total Assessed Value	\$ 2,778,391,123
2023 Total Assessed Value	\$ 4,940,637,002

**TOWN OF DRACUT, MASSACHUSETTS**  
**Property Tax Levies & Collections**  
**Last Ten Fiscal Years**

Fiscal Year	Total Tax Levy	Overlay Reserve for Abatements	Net Tax Levy (Less Overlay)	First Year Current Tax Collections	Percent of Net Levy Collected at FY End	Percent of Net Collected at 6/30/23
2014	\$ 40,258,887	\$ 343,380	\$ 39,915,507	\$ 39,274,346	98.39%	100.00%
2015	\$ 43,367,844	\$ 348,741	\$ 43,019,103	\$ 42,386,044	98.53%	100.00%
2016	\$ 44,879,592	\$ 345,824	\$ 44,533,768	\$ 43,900,709	98.58%	100.00%
2017	\$ 46,489,851	\$ 388,970	\$ 46,100,881	\$ 45,689,498	99.11%	100.00%
2018	\$ 48,377,471	\$ 433,320	\$ 47,944,151	\$ 46,538,209	97.07%	100.00%
2019	\$ 50,121,349	\$ 309,759	\$ 49,811,590	\$ 49,345,250	99.06%	100.00%
2020	\$ 51,977,891	\$ 374,394	\$ 51,603,497	\$ 49,992,483	96.88%	99.90%
2021	\$ 53,715,134	\$ 37,183	\$ 53,677,951	\$ 51,795,216	96.49%	98.50%
2022	\$ 55,524,146	\$ 404,254	\$ 55,119,892	\$ 55,000,058	99.78%	99.78%
2023	\$ 57,212,576	\$ 251,163	\$ 56,961,413	\$ 56,570,167	99.31%	99.31%



Source: Town Accountant - Year-end Combined Activity Report

**TOWN OF DRACUT, MASSACHUSETTS**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

Fiscal Year	Population	Governmental Activities Debt									
		Personal Income		Assessed Valuation		General Obligation Bonds		Loans Payable		Total Debt	
2014	29,894	\$ 852,608,000	\$ 2,778,391,123	\$ 46,548,151	\$ -	\$ 46,548,151	\$ 1,557	5.46%	1.68%		
2015	30,220	\$ 867,915,000	\$ 2,904,745,093	\$ 42,510,521	\$ -	\$ 42,510,521	\$ 1,407	4.90%	1.46%		
2016	30,687	\$ 896,546,000	\$ 3,024,231,356	\$ 40,578,687	\$ 158,927	\$ 40,737,614	\$ 1,328	4.54%	1.35%		
2017	30,900	\$ 927,556,000	\$ 3,206,196,646	\$ 36,954,677	\$ 88,602	\$ 37,043,279	\$ 1,199	3.99%	1.16%		
2018	31,400	\$ 976,073,000	\$ 3,419,384,910	\$ 33,426,667	\$ 505,403	\$ 33,932,070	\$ 1,081	3.48%	0.99%		
2019	31,700	\$ 1,032,315,000	\$ 3,658,299,404	\$ 32,735,223	\$ 303,980	\$ 33,039,203	\$ 1,042	3.20%	0.90%		
2020	32,500	\$ 1,061,254,000	\$ 3,893,475,005	\$ 29,680,476	\$ 154,140	\$ 29,834,616	\$ 918	2.81%	0.77%		
2021	32,617	\$ 1,126,313,000	\$ 4,128,757,412	\$ 42,243,659	\$ -	\$ 42,243,659	\$ 1,295	3.75%	1.02%		
2022	32,600	\$ 1,156,106,000	\$ 4,517,831,317	\$ 40,672,023	\$ -	\$ 40,672,023	\$ 1,248	3.52%	0.90%		
2023	32,617	\$ 1,183,256,000	\$ 4,940,637,002	\$ 37,014,310	\$ 361,800	\$ 37,376,110	\$ 1,146	3.16%	0.76%		

Fiscal Year	Business - Type Activities Debt				Total Primary Government					
	Water Fund		Sewer Fund		CPC Fund		Total Debt Outstanding	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
2014	\$ 343,958	\$ 43,811,787	\$ 980,000				\$ 91,683,896	\$ 3,067	10.75%	3.30%
2015	\$ 282,023	\$ 49,658,594	\$ 546,000				\$ 92,997,138	\$ 3,077	10.72%	3.20%
2016	\$ 222,168	\$ 51,270,394	\$ 389,000				\$ 92,619,176	\$ 3,018	10.33%	3.06%
2017	\$ 105,000	\$ 47,006,806	\$ -				\$ 84,155,085	\$ 2,723	9.07%	2.62%
2018	\$ 55,000	\$ 43,016,296	\$ -				\$ 77,003,366	\$ 2,452	7.89%	2.25%
2019	\$ 5,000	\$ 39,007,549	\$ -				\$ 72,051,752	\$ 2,273	6.98%	1.97%
2020	\$ -	\$ 35,574,477	\$ -				\$ 65,409,093	\$ 2,013	6.16%	1.68%
2021	\$ -	\$ 32,334,301	\$ -				\$ 74,577,960	\$ 2,286	6.62%	1.81%
2022	\$ -	\$ 29,036,405	\$ -				\$ 69,708,428	\$ 2,138	6.03%	1.54%
2023	\$ -	\$ 25,728,539	\$ -				\$ 63,104,649	\$ 1,935	5.33%	1.28%

Data source: Massachusetts Division of Career Centers and Division of Unemployment Assistance

Data source: Audited financial statements

**TOWN OF DRACUT, MASSACHUSETTS**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2023**

	Debt Outstanding	Estimated Percentage Applicable <sup>(1)</sup>	Estimated Share of Overlapping Debt <sup>(2)</sup>
Debt repaid with property taxes Greater Lowell Technical High School	\$ 11,820,000	10.20%	\$ 1,205,640
Subtotal, overlapping debt			1,205,640
Town direct debt			40,672,023
Total direct and overlapping debt			<u><u>\$ 41,877,663</u></u>

Data source: Multiple entities including Town Treasurer

<sup>(1)</sup>Estimated share based on debt service only

<sup>(2)</sup>Estimated dollar assessment based upon total net operating expenses, inclusive (where applicable) of debt service

**TOWN OF DRACUT, MASSACHUSETTS**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

	<b>Fiscal year</b>									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Equalized Valuation <sup>(1)</sup>	\$ 3,018,060,600	\$ 3,018,060,600	\$ 2,920,269,000	\$ 3,215,541,900	\$ 3,647,155,100	\$ 3,647,155,100	\$ 4,153,988,500	\$ 4,153,988,500	\$ 4,790,569,000	\$ 4,790,569,000
Debt Limit - 5% of Equalized Valuation	150,903,030	150,903,030	146,013,450	160,777,095	182,357,755	182,357,755	207,699,425	207,699,425	239,528,450	239,528,450
Less:										
Total debt applicable to limitation <sup>(2)</sup>	(64,635,338)	(91,339,938)	(91,205,285)	(83,487,066)	(75,982,927)	(70,675,218)	(73,387,572)	(67,890,013)	(63,014,958)	(56,587,538)
Legal debt margin	\$ 86,267,692	\$ 59,563,092	\$ 54,808,165	\$ 77,290,029	\$ 106,374,828	\$ 111,682,537	\$ 134,311,853	\$ 139,809,412	\$ 176,513,492	\$ 182,940,912
Total debt applicable to the limit as a percentage of debt limit	42.83%	60.53%	62.46%	51.93%	41.67%	38.76%	35.33%	32.69%	26.31%	23.62%

Data source:

<sup>(1)</sup>MA Bureau of Local Services (DataBank)

<sup>(2)</sup>Town of Dracut

**TOWN OF DRACUT, MASSACHUSETTS**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

Calendar Year	Population Estimates	Per Capita				Unemployment Rate
		Personal Income	**	School Enrollment	***	
2014	29,894	\$ 31,392		3,816		5.7%
2015	30,220	\$ 33,856		3,688		4.6%
2016	30,687	\$ 32,690		3,499		4.0%
2017	30,900	\$ 32,927		3,551		3.4%
2018	31,400	\$ 33,155		3,839		3.6%
2019	31,700	\$ 35,662		3,582		3.9%
2020	32,500	\$ 38,365		3,677		6.5%
2021	32,617	\$ 42,008		3,659		4.3%
2022	32,600	\$ 44,781		3,567		3.2%
2023	32,600	\$ unavailable		3,581		4.9%

\* Source: Town of Dracut Annual Census (not inclusive of MCI population)

\*\* Source: Official Statements

\*\*\*Source: Massachusetts Department of Education

Data source: Massachusetts Division of Career Services

Town of Dracut Census Data

**TOWN OF DRACUT, MASSACHUSETTS**  
**Principal Employers**  
**Current Year and Nine Years Ago**

<b>Employer</b>	<b>Type of Business</b>	<b>2023</b>		<b>Percentage of Total Town Employment</b>	<b>2014</b>		<b>Percentage of Total Town Employment</b>
		<b>Number of Employees</b>	<b>Rank</b>		<b>Number of Employees</b>	<b>Rank</b>	
GeorgeBrox, Inc.	Contractor/Construction	180	1	1.04 %	181	2	1.19 %
Verizon New England, Inc.	Communications	160	3	0.92 %	125	4	0.82 %
Hannaford	Supermarket	150	2	0.86 %	225	1	1.48 %
Old Dominion	Trucking	120	4	0.69 %	64	5	0.42 %
Dakota	Manufacturer	110	5	0.63 %	60	8	0.39 %
Majilite	Manufacturer	110	6	0.63 %	52	9	0.34 %
Dow Company	Contractor/Construction	95	7	0.55 %			
ADEP, Construction	Contractor/Construction	95	9	0.55 %			
Dunkin Donuts	Franchise	90	8	0.52 %	155	3	1.02 %
The Arbors	Assisted Living	82	10	0.47 %			
Poland Springs	Warehouse				64	6	0.42 %
Lenzi Catering	Restaurant/Functions				60	7	0.39 %
 Total Principal Employers		 1,192		 6.85 %	 986		 6.47 %
 Total Town Employment <sup>(1)</sup>		 <u>17,391</u>		 <u>15,229</u>			

Data Source:  
Employers

Notes:

<sup>(1)</sup>MA Bureau of Local Services (DataBank)

**TOWN OF DRACUT, MASSACHUSETTS**  
**Government Employees by Function - Full Time Equivalents**  
**Last Ten Fiscal Years**

Function	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Government	22	22	23	23	23	24	25	34	35	35
Public Safety										
Police	44	43	46	46	47	47	47	41	44	46
Fire	37	42	38	45	47	47	47	43	43	43
Total	81	85	84	91	94	94	94	84	87	89
Education	403	411	406	410	434	434	434	463	465	500
Public Works										
Tax Supported	22	22	21	22	22	22	22	28	28	28
Water/Sewer Division	5	5	5	4	4	4	4	5	5	5
Total	27	27	26	26	26	26	26	33	33	33
Planning and Human Services										
Planning & Natural Resources	4	4	4	4	4	4	4	4	4	4
Inspections	4	4	4	4	4	4	4	3	3	3
Health	2	2	2	2	2	2	2	3	3	3
Recreation	1	1	1	1	1	1	1	2	2	2
Senior & Social Services	9	8	8	6	6	6	6	10	10	10
Total	20	19	19	17	17	17	17	22	22	22
Library	10	10	10	6	8	8	8	14	14	14
Total	<b>563</b>	<b>574</b>	<b>568</b>	<b>573</b>	<b>602</b>	<b>603</b>	<b>604</b>	<b>650</b>	<b>656</b>	<b>693</b>

**TOWN OF DRACUT, MASSACHUSETTS**  
**Operating Indicators by Function**  
**Last Ten Fiscal Years<sup>(1)</sup>**

Function	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Vitals										
Births	287	298	292	298	212	243	230	239	288	310
Deaths	244	192	233	256	247	276	261	253	298	152
Marriages	118	118	123	112	106	128	131	133	150	292
Finance										
Registered voters	20,575	20,304	21,883	22,026	21,955	22,124	22,603	22,979	23,700	23,627
Taxable property parcels assessed	11,952	11,982	12,323	12,052	12,090	12,058	12,087	12,082	11,676	11,206
Motor vehicles registered	34,595	35,666	32,554	37,250	37,790	37,849	36,752	37,939	36,446	37,396
Enrollments										
Dracut Public Schools	3,816	3,688	3,600	3,499	35,551	3,582	3,666	3,659	3,624	3,583
Greater Lowell Regional High School**	447	467	453	439	473	462	441	443	390	441
Police <sup>(1)</sup>										
Physical arrests	333	187	209	198	143	221	116	138	112	135
Traffic violations	5,217	5,747	4,578	2,530	4,346	3,863	1,597	558	313	715
Fire and Rescue <sup>(1)</sup>										
Total Emergency Responses	3,445	3,460	3,626	3,895	4,121	3,771	3,745	3,916	4,239	3,888
Emergency Responses excluding EMS	1,134	1,198	1,195	1,249	1,604	1,476	1,449	1,407	50	50
Fires extinguished	83	78	66	72	45	56	55	56	2,775	2,468
Emergency medical responses (EMS)	2,228	2,184	2,365	2,574	2,472	2,300	2,296	2,509	1,464	1,420
Code Administration										
Building permits	981	1,279	1,109	1,110	1,106	1,082	1,122	1,317	1,345	1,356
Estimated construction value in millions (\$)	21,372,192	26,223,161	58,930,289	58,795,431	51,190,550	63,696,103	59,820,454	46,298,724	46,034,000	36,348,331
Public Works										
Refuse collected (tons)	9,433	9,377	9,341	9,780	9,787	9,092	10,300	10,623	10,553	10,195
Recycling (tons)	2,378	2,759	2,802	2,988	3,012	3,122	2,945	3,101	3,200	2,965
Public Library										
Circulation	221,999	205,959	211,522	183,694	177,340	182,774	73,612	105,025	149,074	160,269
Patrons	139,500	129,601	126,765	124,277	111,358	149,093	132,607	37,545	73,128	79,820
Council on Aging										
Meals on Wheels Delivered	20,279	29,970	22,168	23,080	22,306	21,668	27,395	34,758	32,499	32,489
Rides Provided	6,376	6,238	7,546	8,830	8,573	9,405	690	5,757	7,089	6,971
Tax Work Program Participants	45	48	45	48	49	50	54	46	31	35
Recreation										
# of Participants	2,762	2,476	2,384	3,070	2,600	2,885	1,847	1,614	2,914	2,272
# of Programs	16	12	11	17	20	20	14	13	33	32

Data source: Various Town departments

\*\*Dracut Students Only

Notes:

<sup>(1)</sup> Calendar year (CY) ending during the fiscal year

**TOWN OF DRACUT, MASSACHUSETTS**  
**Capital Asset Statistics by Function**  
**Last Ten Fiscal Years**

Function	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Fire and Rescue										
Number of stations	3	3	3	3	3	3	3	3	3	3
Number of ladder trucks (cross-staffed with ambulance)	1	1	1	1	1	1	1	1	1	1
Number of pumper (front-line structural)	3	3	3	3	3	3	3	3	3	3
Public Works										
Miles of streets	153	154	154	155	157	160	162	162	162	162
Miles of storm drains	75	76	76	76	78	81	82	82	82	82
Recreation										
Athletic field acreage	46	46	46	46	46	46	46	46	46	46
Number of parks	6	6	6	6	7	8	8	8	8	8
Park acreage	57	57	57	57	59	62	62	62	62	62
Ball Fields	16	16	16	16	16	17	17	17	17	17
Tennis Courts	1	1	1	1	1	1	1	1	1	1
Water System										
Miles of water mains	35	35	35	35	40	44	46	46	46	46
Number of service connections	1,817	1,819	1,870	1,920	1,867	2,068	2,075	2,105	2,105	2,105
Number of fire hydrants	267	267	267	267	280	295	295	295	295	295
Sewage System										
Miles of sanitary sewers	117	123	126	126	140	160	168	168	168	168
Number of service connections	8,327	8,816	8,912	9,020	9,183	9,285	9,302	9,303	9,303	9,303

Data Source:  
 Various Town departments