

**TOWN OF STONEHAM, MASSACHUSETTS**

**INDEPENDENT AUDITORS' REPORT ON  
BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2022**



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## INDEPENDENT AUDITORS' REPORT

Honorable Select Board  
Town of Stoneham, Massachusetts

### **Report on the Financial Statements**

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 Stoneham, Massachusetts, as of and for the year ended June 30, 2022 (except for the Stoneham Contributory Retirement System, which is as of and for the fiscal year ended December 31, 2021), and the related notes to the financial statements, which collectively comprise the Town of Stoneham, Massachusetts' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2022 (except for the Stoneham Contributory Retirement System, which is as of and for the fiscal year ended December 31, 2021), 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. 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 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 Town's ability to continue as a going concern for a reasonable period of time.

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

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 4 through 13) and general fund budgetary comparison and certain pension and other postemployment benefits information (located on pages 65 through 72) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2023 on our consideration of the Town of Stoneham, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town'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 of Stoneham, Massachusetts' internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Boston, Massachusetts  
June 9, 2023

**TOWN OF STONEHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

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

***Financial Highlights***

- The liabilities and deferred inflows of resources of the Town exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$58,407,019 (net position).
- The Town's total net position increased \$14,010,725.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$12,437,168, or 15.8%, of total general fund expenditures and transfers out.

***Overview of the Basic Financial Statements***

This discussion and analysis is intended to serve as an introduction to the *basic financial statements*, which consists of the following three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

This report also contains required supplementary information in addition to the basic financial statements, consisting of the following:

1. General Fund – schedule of revenues, expenditures, and changes in fund balance – non-GAAP budgetary basis – budget and actual
2. Other post-employment benefits schedule
3. Pension plan schedules

**Government-Wide Financial Statements**

The government-wide and enterprise fund financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The **statement of net position** presents information on all of the Town's non-fiduciary assets and deferred outflows, and liabilities and deferred inflows, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town 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, earned but unused vacation leave, etc.).

**TOWN OF STONEHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

Both of the government-wide financial statements distinguish functions of the Town 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*).

Governmental activities include general government, public safety, education, public works, health and human services, culture and recreation and debt service (interest). Business-type activities include the Town's sewer and water operations.

The government-wide financial statements can be found on pages 14-16 of this report.

**Fund Financial Statements**

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

1. Governmental funds
2. Proprietary funds
3. 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 funds financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains over 280 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, high school construction (capital project), and State and Local Fiscal Recovery fund (special revenue), all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*. The governmental funds basic financial statements can be found on pages 17-20 of this report.

**TOWN OF STONEHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

**Proprietary Funds**

The Town maintains one type of proprietary fund representing the Town's enterprise funds.

*Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its sewer and water operations, both of which are considered to be major funds. The proprietary funds basic financial statements can be found on pages 21-23 of this report.

**Fiduciary Funds**

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

The fiduciary funds provide separate information for the Town's pension trust fund. Private-purpose trust funds and custodial funds are reported and combined into a single, aggregate presentation in the fiduciary fund financial statements under the captions "private purpose trust funds" and "custodial funds", respectively. The fiduciary funds basic financial statements can be found on pages 24-25 of this report.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 26-63 of this report.

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information is the general fund schedule of revenues, expenditures, and changes in fund balance (budget and actual) and certain pension and other post-employment benefits information, which can be found on pages 65-72.

**TOWN OF STONEHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

***Government-Wide Financial Analysis***

The following tables present current and prior year data on the government-wide financial statements.

**Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$58,407,019 at the close of the fiscal year and is summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Assets</b>						
Current Assets	\$ 163,119,277	\$ 21,351,585	\$ 11,245,459	\$ 8,101,649	\$ 174,364,736	\$ 29,453,234
Noncurrent Assets (Excluding Capital Assets)	6,528,313	647,864	-	-	6,528,313	647,864
Capital Assets (Net)	87,042,728	84,535,726	15,239,074	13,655,240	102,281,802	98,190,966
Total Assets	256,690,318	106,535,175	26,484,533	21,756,889	283,174,851	128,292,064
<b>Deferred Outflows of Resources</b>	13,451,696	23,806,109	246,982	507,890	13,698,678	24,313,999
<b>Liabilities</b>						
Current Liabilities (Excluding Debt)	10,583,390	6,227,069	116,953	149,779	10,700,343	6,376,848
Noncurrent Liabilities (Excluding Debt)	119,308,769	164,479,870	2,206,220	3,521,557	121,514,989	168,001,427
Current Debt	5,238,239	3,725,571	503,735	361,486	5,741,974	4,087,057
Noncurrent Debt	149,032,623	19,904,328	2,932,046	1,140,767	151,964,669	21,045,095
Total Liabilities	284,163,021	194,336,838	5,758,954	5,173,589	289,921,975	199,510,427
<b>Deferred Inflows of Resources</b>	64,303,934	28,294,876	1,054,639	603,656	65,358,573	28,898,532
<b>Net Position</b>						
Net Investment in Capital Assets	64,236,477	61,004,254	13,690,879	13,689,019	77,927,356	74,693,273
Restricted	7,833,226	5,510,097	-	-	7,833,226	5,510,097
Unrestricted	(150,394,644)	(158,804,781)	6,227,043	2,798,515	(144,167,601)	(156,006,266)
Total Net Position	\$ (78,324,941)	\$ (92,290,430)	\$ 19,917,922	\$ 16,487,534	\$ (58,407,019)	\$ (75,802,896)

The largest portion of the Town's net position, \$77,927,356, reflects its net investment in capital assets (e.g., land, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles, and infrastructure). These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position, \$7,833,226, represents resources that are subject to external restrictions on how they may be used. The remaining balance represents a net deficit of \$144,167,601.

The Town has no unrestricted net position available for the support of governmental activities. Such resources have been consumed with the recognition of net pension and total other post-employment benefits liabilities. The Town has \$6,227,043 that may be used to support business-type activities.

**TOWN OF STONEHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

**Changes in Net Position**

For the fiscal year ended June 30, 2022, the Town's total net position increased \$14,010,725, compared to a decrease of \$3,598,424 in the prior fiscal year. These amounts are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for Services	\$ 8,436,162	\$ 6,638,194	\$ 12,036,683	\$ 11,083,948	\$ 20,472,845	\$ 17,722,142
Operating Grants and Contributions	17,313,172	17,755,537	16,228	35,070	17,329,400	17,790,607
Capital Grants and Contributions	3,764,101	693,715	727,500	-	4,491,601	693,715
<i>General Revenues:</i>						
Real Estate and Personal Property Taxes	55,393,922	52,355,967	-	-	55,393,922	52,355,967
Motor Vehicle and Other Excise Taxes	3,592,900	3,729,810	-	-	3,592,900	3,729,810
Meals Tax	432,073	342,303	-	-	432,073	342,303
Penalties and Interest on Taxes	237,614	212,119	-	-	237,614	212,119
Payments in Lieu of Taxes	108,563	55,040	-	-	108,563	55,040
to Specific Programs	4,861,519	4,126,672	-	-	4,861,519	4,126,672
Unrestricted Investment Income	(120,844)	107,763	-	-	(120,844)	107,763
<b>Total Revenues</b>	<b>94,019,182</b>	<b>86,017,120</b>	<b>12,780,411</b>	<b>11,119,018</b>	<b>106,799,593</b>	<b>97,136,138</b>
<b>Expenses</b>						
General Government	4,563,880	5,474,362	-	-	4,563,880	5,474,362
Public Safety	16,409,277	16,720,045	-	-	16,409,277	16,720,045
Education	51,702,949	59,283,172	-	-	51,702,949	59,283,172
Public Works	6,344,903	6,010,548	-	-	6,344,903	6,010,548
Health and Human Services	987,705	1,337,459	-	-	987,705	1,337,459
Culture and Recreation	2,184,574	2,171,848	-	-	2,184,574	2,171,848
Debt Service - Interest	30,626	826,819	-	-	30,626	826,819
Sewer	-	-	6,152,525	5,208,517	6,152,525	5,208,517
Water	-	-	4,412,429	3,701,792	4,412,429	3,701,792
<b>Total Expenses</b>	<b>82,223,914</b>	<b>91,824,253</b>	<b>10,564,954</b>	<b>8,910,309</b>	<b>92,788,868</b>	<b>100,734,562</b>
Change in Net Position Before Transfers	11,795,268	(5,807,133)	2,215,457	2,208,709	14,010,725	(3,598,424)
Transfers, Net	1,039,766	1,595,404	(1,039,766)	(1,595,404)	-	-
Change in Net Position	12,835,034	(4,211,729)	1,175,691	613,305	14,010,725	(3,598,424)
Net Position - Beginning of Year	(91,159,975)	(88,078,701)	18,742,231	15,874,229	(72,417,744)	(72,204,472)
Net Position - End of Year	<u>\$ (78,324,941)</u>	<u>\$ (92,290,430)</u>	<u>\$ 19,917,922</u>	<u>\$ 16,487,534</u>	<u>\$ (58,407,019)</u>	<u>\$ (75,802,896)</u>

Governmental activities increased the Town's net position by \$12,835,034. In the prior year, governmental activities decreased the Town's net position by \$4,211,729. The key elements of this change was an approximate \$3,000,000 increase in capital grants and contributions related to the school construction project, and a decrease in OPEB and pension expenses of approximately \$9,500,000.

Business-type activities increased the Town's net position by \$1,175,691. In the prior year, business-type activities increased the Town's net position by \$613,305. The key elements of this change related to increases in charges for services of approximately \$1,000,000.

**TOWN OF STONEHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

***Fund Financial Statement Analysis***

The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town's financing requirements.

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$154,757,003 an increase of \$134,962,413, in comparison with the prior year. \$11,944,224 represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable - \$1,164,928
- Restricted - \$139,208,421
- Committed - \$2,245,000
- Assigned - \$94,430

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 totaled \$12,437,168, while total fund balance was \$15,134,110. 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 and transfers out. Unassigned fund balance represents 15.8% of total general fund expenditures and transfers out, while total fund balance represents 19.2% of that same amount.

The fund balance of the Town's general fund increased \$917,134 during fiscal year 2022. The Town recognized a positive budget to actual variance (excluding encumbrances and continuing appropriations) totaling approximately \$3,287,100; and used approximately \$2,127,000 of reserves to fund the fiscal year 2022 budget.

Financial highlights of the Town's other major governmental fund is as follows:

The fund balance of the High School Construction fund (capital projects) is a new major fund in the current fiscal year. The fund recognized \$3,299,266 of intergovernmental revenues and expenditures totaled \$6,742,612. The fund received \$127,745,000 and \$7,330,076 in proceeds of bonds and notes and premiums from issuances of bonds respectively.

The fund balance of the State and Local Fiscal Recovery fund (special revenue) remained unchanged from the prior fiscal year. The fund recognized \$85,190 of intergovernmental revenues and expenditures totaled \$85,190. The fund received \$3,520,523 of unearned revenue.

Proprietary Funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

**TOWN OF STONEHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

Unrestricted net position of the sewer and water enterprise funds at the end of the year amounted to \$2,673,161 and \$3,553,882, respectively. The sewer enterprise fund had an increase in net position for the year of \$826,195 and the water enterprise fund had an increase in net position for the year of \$349,496. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

**General Fund Budgetary Highlights**

The original General Fund budgeted expenditures (including transfers out) totaled \$73,509,208. During the year, supplemental appropriations totaling \$625,000 were authorized. The following table summarizes the increase:

<u>Purpose of Increase/Decrease</u>	<u>Amount</u>	<u>Funding Source</u>
Capital Articles - Town	\$ 455,000	Unassigned Fund Balance
Capital Articles - Police	170,000	Unassigned Fund Balance
Total Net Increase	\$ 625,000	

***Capital Assets and Debt Administration***

**Capital Assets**

The Town's investment in capital assets for its governmental and business-type activities at the end of the fiscal year totaled \$102,281,802 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles, and infrastructure. The total net increase in the investment in capital assets for the current fiscal year was \$4,090,836.

Major capital asset events that occurred during the current fiscal year include the following:

- High School Construction (approximately \$6,439,000)
- Various road and sidewalk improvements (approximately \$885,000)
- Arena Roof (approximately \$525,000)

The following table summarizes the Town's capital assets (net of accumulated depreciation):

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2022	2021	2022	2021	2022	2021
Land	\$ 6,258,486	\$ 6,258,486	\$ 215,801	\$ 215,801	\$ 6,474,287	\$ 6,474,287
Construction in Progress	6,438,823	-	-	-	6,438,823	-
Land Improvements	415,255	544,700	-	-	415,255	544,700
Buildings and Improvements	59,720,291	63,613,261	640,401	687,999	60,360,692	64,301,260
Machinery, Vehicles and Equipment	2,297,530	2,385,890	17,908	41,784	2,315,438	2,427,674
Infrastructure	11,912,343	11,733,389	14,364,964	12,709,656	26,277,307	24,443,045
Total Capital Assets	\$ 87,042,728	\$ 84,535,726	\$ 15,239,074	\$ 13,655,240	\$ 102,281,802	\$ 98,190,966

**TOWN OF STONEHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

Additional information on the Town's capital assets can be found in Note 6 of this report.

**Long-Term Debt**

At the end of the current fiscal year, total bonded debt outstanding was \$146,220,000, which is backed by the full faith and credit of the Town, and is summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
General Obligation Bonds	\$ 146,220,000	\$ 22,545,000	\$ -	\$ -	\$ 146,220,000	\$ 22,545,000
MWRA Notes	-	-	3,435,781	1,502,253	3,435,781	1,502,253
Total Bond and Notes	<u>\$ 146,220,000</u>	<u>\$ 22,545,000</u>	<u>\$ 3,435,781</u>	<u>\$ 1,502,253</u>	<u>\$ 149,655,781</u>	<u>\$ 24,047,253</u>

The Town's total outstanding bonded debt (excluding unamortized premiums) increased by \$123,675,000, or 500%, during the fiscal year.

The Town's most recent bond rating from Standard and Poor's was AA+. Additional information on the Town's long-term debt can be found in Note 10 of this report.

**Economic Factors and Next Year's Budget**

The Fiscal Year 2022 Budget was created and adopted with the effects of the COVID-19 pandemic still present and impacting the community. The fiscal year 2023 budget, is the beginning of returning the Town to a pre-pandemic budget and levels of service.

The financial forecast presentation in November of 2021 predicted a deficit for FY2023 due to increased cost pressures from rising health insurance, contributory pension's aggressive funding schedule, and increased contractual operating costs. Conservatively forecasted new growth, vocational school cost increases, and uncertainty in projected local receipts and state aid further challenged the development of the FY2023 budget. The Town Accountant and Town Wide Budget Director presented guidelines to departments for developing their FY2023 budgets to address these challenges. The guidelines requested departments to level fund their budgets in line with their FY2022 budgets.

While the budget developed is for the upcoming fiscal year, it is our responsibility to maintain discipline in our decisions with an eye to our long-term forecasting and challenges. In this regard, the FY23 budget also adheres to the Fiscal Guidelines adopted in May of 2019. The commitment to these established guidelines continues the allocation of financial resources to improve the Town's overall fiscal standing in the short and long term. The ongoing commitment to these guidelines remains a priority and are included in the FY23 budget.

**TOWN OF STONEHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

**Fiscal Year 2023 Budget Highlights**

As required by law, this budget is **structurally balanced** and one time revenues are not utilized to balance. In this regard, it is important to note that the use of the American Rescue Plan Act funds (\$7.2 million) are not included and its use will begin in FY23. The budget consists of total anticipated expenditures of \$83.97 million which is an overall increase of 13.65% from FY2022. The increase is due to the new high school project funding voted on at the Special Election on October 4, 2021. The General Government budget, which includes Public Safety, Public Works, and Public Services and excludes shared services like pension, health insurance, and vocational education, increased by 2.92%. The proposed Education operating budget is an increase of 3.67% from FY2022, which results in a combined Education/Town operating budget increase of 3.40%.

An increase in shared costs related to Health Insurance (\$579K), Northeast Vocational School (\$126K), aggressive pension schedule (\$178K), continued contractual increases in property and casualty insurance, and workers compensation insurance continue to put significant pressure on the town's budget in Fiscal Year 2023. Demands on all departments also continue to grow and further discussions of community priorities for future needs have to take place during future budget cycles.

The proposed budget includes one additional Police Officer position, funding for an additional Facilities staff position (shared with the School Department), additional funding for the Council on Aging (removing some staff hours off of the state grant) and Library Staff. Additionally, the proposed budget includes additional funding for the Assessor's Office and the Conservation Office for outside services.

The Town also continues to make investments into aging infrastructure as well as maintaining current assets. This year's capital recommendation takes much needed steps to address some of our most pressing infrastructure needs. These include allocations of \$360K for town roof restorations and design studies, \$50K for town wide ADA improvements, \$253K in DPW dump trucks, \$35K in fire portable radios, \$60K for fire vehicle replacement, \$38K to install drainage on 7<sup>th</sup> fairway at the golf course, \$30K in library windows, \$70K for a marked police vehicle, \$50K for South School site rehab design, \$100K dedicated to streets and sidewalks repairs, and \$2 million for water rehabilitation and construction projects. These are positive steps in the right direction and I look forward to continuing to protect and preserve our infrastructure.

**Town-wide operation functions**

Over the past few years the Town and Schools have taken steps to improve certain functions in town. This included the development of a shared Procurement Officer position, a shared Facilities Department, a shared Town Wide Budget Director. In FY 2022, the Town and Schools centrally located all payroll and accounts payable functions. The town and schools continue to work in a collaborative matter to increase transparency, efficiency, and internal control.

**TOWN OF STONEHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

***Requests for Information***

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant, 35 Central Street, Stoneham, Massachusetts 02180.

**TOWN OF STONEHAM, MASSACHUSETTS  
STATEMENT OF NET POSITION  
JUNE 30, 2022**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 9,779,262	\$ 4,681,733	\$ 14,460,995
Restricted Cash and Cash Equivalents	140,177,319	1,887,586	142,064,905
Investments	6,384,754	-	6,384,754
Restricted Investments	3,075,723	-	3,075,723
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate and Personal Property Taxes	991,606	-	991,606
Tax, Trash and Utility Liens	116,083	62,265	178,348
Motor Vehicle and Other Excise Taxes	408,266	-	408,266
User Charges	-	4,613,875	4,613,875
Departmental and Other	130,027	-	130,027
Intergovernmental	1,617,681	-	1,617,681
Leases	438,556	-	438,556
Total Current Assets	<u>163,119,277</u>	<u>11,245,459</u>	<u>174,364,736</u>
Noncurrent Assets:			
Receivables, Net of Allowance for Uncollectible Amounts:			
Leases	6,528,313	-	6,528,313
Capital Assets Not being Depreciated	12,697,309	215,801	12,913,110
Capital Assets, Net of Accumulated Depreciation	<u>74,345,419</u>	<u>15,023,273</u>	<u>89,368,692</u>
Total Noncurrent Assets	<u>93,571,041</u>	<u>15,239,074</u>	<u>108,810,115</u>
Total Assets	<u>256,690,318</u>	<u>26,484,533</u>	<u>283,174,851</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to OPEB	10,242,206	188,053	10,430,259
Related to Pension	<u>3,209,490</u>	<u>58,929</u>	<u>3,268,419</u>
Total Deferred Outflows of Resources	<u>13,451,696</u>	<u>246,982</u>	<u>13,698,678</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Warrants Payable	1,239,014	23,330	1,262,344
Accrued Payroll	455,273	14,933	470,206
Tax Refunds Payable	356,961	-	356,961
Other Liabilities	664,150	-	664,150
Unearned Revenue	3,520,523	-	3,520,523
Accrued Interest	156,314	-	156,314
Compensated Absences	109,739	3,753	113,492
Total OPEB Liability	4,081,416	74,937	4,156,353
Bonds and Notes Payable	<u>5,238,239</u>	<u>503,735</u>	<u>5,741,974</u>
Total Current Liabilities	<u>15,821,629</u>	<u>620,688</u>	<u>16,442,317</u>
Noncurrent Liabilities:			
Compensated Absences	987,654	33,776	1,021,430
Net Pension Liability	6,938,503	127,395	7,065,898
Total OPEB Liability	111,382,612	2,045,049	113,427,661
Bonds and Notes Payable	<u>149,032,623</u>	<u>2,932,046</u>	<u>151,964,669</u>
Total Noncurrent Liabilities	<u>268,341,392</u>	<u>5,138,266</u>	<u>273,479,658</u>
Total Liabilities	<u>284,163,021</u>	<u>5,758,954</u>	<u>289,921,975</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to Leases	6,863,497	-	6,863,497
Related to OPEB	47,788,598	877,426	48,666,024
Related to Pension	<u>9,651,839</u>	<u>177,213</u>	<u>9,829,052</u>
Total Deferred Inflows of Resources	<u>64,303,934</u>	<u>1,054,639</u>	<u>65,358,573</u>
<b>NET POSITION (DEFICIT)</b>			
Net Investment in Capital Assets	64,236,477	13,690,879	77,927,356
Restricted for:			
Other Post Employment Benefits	357,512	-	357,512
Permanent Funds:			
Expendable	455,035	-	455,035
Nonexpendable	1,164,928	-	1,164,928
Other Specific Purposes	5,855,751	-	5,855,751
Unrestricted	<u>(150,394,644)</u>	<u>6,227,043</u>	<u>(144,167,601)</u>
Total Net Position	<u>\$ (78,324,941)</u>	<u>\$ 19,917,922</u>	<u>\$ (58,407,019)</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF STONEHAM, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2022**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
Governmental Activities:					
General Government	\$ 4,563,880	\$ 1,873,851	\$ 1,331,155	\$ -	\$ (1,358,874)
Public Safety	16,409,277	2,211,480	662,695	-	(13,535,102)
Education	51,702,949	1,573,091	14,940,476	3,299,266	(31,890,116)
Public Works	6,344,903	1,897,522	15,425	464,835	(3,967,121)
Health and Human Services	987,705	64,193	194,523	-	(728,989)
Culture and Recreation	2,184,574	816,025	151,005	-	(1,217,544)
Debt Service-Interest	30,626	-	17,893	-	(12,733)
Total Governmental Activities	<u>82,223,914</u>	<u>8,436,162</u>	<u>17,313,172</u>	<u>3,764,101</u>	<u>(52,710,479)</u>
Business-Type Activities:					
Sewer	6,152,525	6,802,655	8,082	727,500	1,385,712
Water	4,412,429	5,234,028	8,146	-	829,745
Total Business-Type Activities	<u>10,564,954</u>	<u>12,036,683</u>	<u>16,228</u>	<u>727,500</u>	<u>2,215,457</u>
Total Primary Government	<u>\$ 92,788,868</u>	<u>\$ 20,472,845</u>	<u>\$ 17,329,400</u>	<u>\$ 4,491,601</u>	<u>\$ (50,495,022)</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF STONEHAM, MASSACHUSETTS  
STATEMENT OF ACTIVITIES (CONTINUED)  
YEAR ENDED JUNE 30, 2022**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>CHANGES IN NET POSITION</b>			
Net (Expense) Revenue (From Previous Page)	<u>\$ (52,710,479)</u>	<u>\$ 2,215,457</u>	<u>\$ (50,495,022)</u>
General Revenues:			
Real Estate and Personal Property Taxes	55,393,922	-	55,393,922
Motor Vehicle and Other Excise Taxes	3,592,900	-	3,592,900
Meals Tax	432,073	-	432,073
Penalties and Interest on Taxes	237,614	-	237,614
Payments in Lieu of Taxes	108,563	-	108,563
Grants and Contributions Not Restricted to Specific Programs	4,861,519	-	4,861,519
Unrestricted Investment Income	(120,844)	-	(120,844)
Transfers, Net	<u>1,039,766</u>	<u>(1,039,766)</u>	<u>-</u>
Total General Revenues and Transfers	<u>65,545,513</u>	<u>(1,039,766)</u>	<u>64,505,747</u>
<b>CHANGE IN NET POSITION</b>	12,835,034	1,175,691	14,010,725
Net Position - Beginning of Year	<u>(91,159,975)</u>	<u>18,742,231</u>	<u>(72,417,744)</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ (78,324,941)</u></u>	<u><u>\$ 19,917,922</u></u>	<u><u>\$ (58,407,019)</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF STONEHAM, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2022**

<b>ASSETS</b>	<u>General</u>	<u>High School Construction</u>	<u>State and Local Fiscal Recovery Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	\$ 9,779,262	\$ -	\$ -	\$ -	\$ 9,779,262
Investments	6,384,754	-	-	-	6,384,754
Receivables, Net of Allowance for Uncollectible Amounts:					
Real Estate and Personal Property Taxes	991,606	-	-	-	991,606
Tax and Trash Liens	101,102	-	-	14,981	116,083
Motor Vehicle and Other Excise Taxes	408,266	-	-	-	408,266
Departmental and Other	-	-	-	130,027	130,027
Intergovernmental	323,932	1,002,966	-	290,783	1,617,681
Leases	6,966,869	-	-	-	6,966,869
Restricted Assets:					
Cash and Cash Equivalents	357,512	131,446,483	3,520,523	4,852,801	140,177,319
Investments	-	-	-	3,075,723	3,075,723
<b>Total Assets</b>	<b><u>\$ 25,313,303</u></b>	<b><u>\$ 132,449,449</u></b>	<b><u>\$ 3,520,523</u></b>	<b><u>\$ 8,364,315</u></b>	<b><u>\$ 169,647,590</u></b>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Warrants Payable	\$ 478,088	\$ 702,999	\$ -	\$ 57,927	\$ 1,239,014
Accrued Payroll	419,574	-	-	35,699	455,273
Unearned Revenue	-	-	3,520,523	-	3,520,523
Other Liabilities	414,912	-	-	249,238	664,150
Tax Refunds Payable	356,961	-	-	-	356,961
<b>Total Liabilities</b>	<b><u>1,669,535</u></b>	<b><u>702,999</u></b>	<b><u>3,520,523</u></b>	<b><u>342,864</u></b>	<b><u>6,235,921</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue	1,646,161	-	-	145,008	1,791,169
Related to Leases	6,863,497	-	-	-	6,863,497
<b>Total Deferred Inflows of Resources</b>	<b><u>8,509,658</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>145,008</u></b>	<b><u>8,654,666</u></b>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	1,164,928	1,164,928
Restricted	357,512	131,746,450	-	7,204,459	139,308,421
Committed	2,245,000	-	-	-	2,245,000
Assigned	94,430	-	-	-	94,430
Unassigned	12,437,168	-	-	(492,944)	11,944,224
<b>Total Fund Balances</b>	<b><u>15,134,110</u></b>	<b><u>131,746,450</u></b>	<b><u>-</u></b>	<b><u>7,876,443</u></b>	<b><u>154,757,003</u></b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b><u>\$ 25,313,303</u></b>	<b><u>\$ 132,449,449</u></b>	<b><u>\$ 3,520,523</u></b>	<b><u>\$ 8,364,315</u></b>	<b><u>\$ 169,647,590</u></b>

See accompanying Notes to Basic Financial Statements.

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

	General	High School Construction	State and Local Fiscal Recovery Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Real Estate and Personal Property Taxes	\$ 55,225,166	\$ -	\$ -	\$ -	\$ 55,225,166
Motor Vehicle and Other Excise Taxes	3,563,749	-	-	-	3,563,749
Meals Tax	432,073	-	-	-	432,073
Tax and Trash Liens	104,445	-	-	79,261	183,706
Payments in Lieu of Taxes	108,563	-	-	-	108,563
Charges for Services	-	-	-	600,597	600,597
Intergovernmental	16,294,228	3,299,266	85,190	6,480,304	26,158,988
Penalties and Interest on Taxes	227,462	-	-	10,153	237,615
Licenses and Permits	708,674	-	-	-	708,674
Fines and Forfeitures	59,518	-	-	-	59,518
Departmental and Other	2,181,331	-	-	4,940,376	7,121,707
Contributions	-	-	-	56,125	56,125
Investment Income	(102,157)	-	-	(19,671)	(121,828)
<b>Total Revenues</b>	<b>78,803,052</b>	<b>3,299,266</b>	<b>85,190</b>	<b>12,147,145</b>	<b>94,334,653</b>
<b>EXPENDITURES</b>					
Current:					
General Government	3,077,937	-	85,190	1,352,790	4,515,917
Public Safety	9,767,567	-	-	2,132,686	11,900,253
Education	32,657,022	6,742,612	-	5,311,756	44,711,390
Public Works	2,870,414	-	-	2,520,617	5,391,031
Health and Human Services	679,954	-	-	116,641	796,595
Culture and Recreation	1,370,784	-	-	164,694	1,535,478
Pension Benefits	11,623,060	-	-	-	11,623,060
Employee Benefits	10,480,677	-	-	-	10,480,677
State and County Charges	3,241,456	-	-	-	3,241,456
Debt Service:					
Principal	2,200,000	-	-	-	2,200,000
Interest	681,813	-	-	-	681,813
<b>Total Expenditures</b>	<b>78,650,684</b>	<b>6,742,612</b>	<b>85,190</b>	<b>11,599,184</b>	<b>97,077,670</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>152,368</b>	<b>(3,443,346)</b>	<b>-</b>	<b>547,961</b>	<b>(2,743,017)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds of Bonds and Notes	-	127,745,000	-	1,064,450	128,809,450
Premium from Issuance of Bonds and Notes	-	7,330,076	-	526,138	7,856,214
Proceeds of Refunding Bonds (Current)	1,225,000	-	-	-	1,225,000
Premium from Issuance of Refunding Bonds (Current)	105,000	-	-	-	105,000
Transfers In	1,039,766	-	-	275,000	1,314,766
Transfers Out	(275,000)	-	-	-	(275,000)
Debt Service - Principal - Current Refunding	(1,330,000)	-	-	-	(1,330,000)
<b>Total Other Financing Sources (Uses)</b>	<b>764,766</b>	<b>135,075,076</b>	<b>-</b>	<b>1,865,588</b>	<b>137,705,430</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>917,134</b>	<b>131,631,730</b>	<b>-</b>	<b>2,413,549</b>	<b>134,962,413</b>
Fund Balances - Beginning of Year	14,216,976	114,720	-	5,462,894	19,794,590
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 15,134,110</b>	<b>\$ 131,746,450</b>	<b>\$ -</b>	<b>\$ 7,876,443</b>	<b>\$ 154,757,003</b>

See accompanying Notes to Basic Financial Statements.

**TOWN OF STONEHAM, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TOTAL FUND  
BALANCES TO THE STATEMENT OF NET POSITION  
YEAR ENDED JUNE 30, 2022**

Total Governmental Fund Balances	\$ 154,757,003
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	87,042,728
Other assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds	1,791,169
In the statement of net position, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due	(156,314)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Bonds and Notes Payable, Net	(154,270,862)
Compensated Absences	(1,097,393)
Net Pension Liability	(6,938,503)
Total OPEB Liability	(115,464,028)
In the statement of net position, deferred outflows and inflows of resources are reported for amounts related to OPEB. This amount represents the net deferrals.	(37,546,392)
In the statement of net position, deferred outflows and inflows of resources are reported for amounts related to pensions. This amount represents the net deferrals.	<u>(6,442,349)</u>
Net Position of Governmental Activities	<u><u>\$ (78,324,941)</u></u>

See accompanying Notes to Basic Financial Statements.

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

Net Change in Fund Balances - Total Governmental Funds	\$ 134,962,413
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These amounts represent the related activity of the current period.</p>	
Capital Outlays	8,033,419
Depreciation	(3,802,504)
<p>In the statement of activities, the loss on the disposals of capital assets is reported, whereas in the governmental funds the disposals are not reported as financial uses. As a result, the change in net position differs from the change in fund balance by the net book value of the capital assets disposed.</p>	
	(70,387)
<p>Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows of resources in the governmental funds. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred inflows of resources.</p>	
	(315,469)
<p>The issuance of long-term debt (e.g., bonds and leases) 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 impact on net position. Also, governmental funds report the effect of material premiums and discounts when debt is first issued, whereas these amounts are amortized in the statement of activities. These amounts represent the related activity of the current period.</p>	
Proceeds of Bonds	(128,809,450)
Premium from Issuance of Bonds	(7,856,214)
Proceeds of Refunding Bonds	(1,225,000)
Premium from Refunding Issuance	(105,000)
Retirement of Refunded Bonds	1,330,000
Bond Maturities	2,200,000
Net Amortization of Bond Premiums	644,680
<p>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable.</p>	
	6,507
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. These amounts represent the net changes:</p>	
Compensated Absences	224,433
Net Pension Liability	13,625,824
Total OPEB Liability	38,100,661
<p>In the statement of activities, deferred outflows and inflows of resources related to OPEB are amortized and recognized as OPEB expense. This amount represents the net change in deferred outflows and inflows of resources related to OPEB.</p>	
	(35,566,646)
<p>In the statement of activities, deferred outflows and inflows of resources related to pensions are amortized and recognized as pension expense. This amount represents the net change in deferred outflows and inflows related to pensions.</p>	
	<u>(8,542,233)</u>
Changes in Net Position of Governmental Activities	<u>\$ 12,835,034</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF STONEHAM, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2022**

	Business-Type Activities - Enterprise Funds		
	Sewer	Water	Total
	Enterprise	Enterprise	
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 1,788,683	\$ 2,893,050	\$ 4,681,733
Restricted Cash and Cash Equivalents	1,582,297	305,289	1,887,586
Receivables, Net of Allowance for Uncollectible Amounts:			
User Charges	2,604,088	2,009,787	4,613,875
Utility Liens	30,070	32,195	62,265
Total Current Assets	<u>6,005,138</u>	<u>5,240,321</u>	<u>11,245,459</u>
Noncurrent Assets:			
Capital Assets not being Depreciated	215,801	-	215,801
Capital Assets, Net of Accumulated Depreciation	<u>6,825,974</u>	<u>8,197,299</u>	<u>15,023,273</u>
Total Noncurrent Assets	<u>7,041,775</u>	<u>8,197,299</u>	<u>15,239,074</u>
Total Assets	<u>13,046,913</u>	<u>13,437,620</u>	<u>26,484,533</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to OPEB	104,119	83,934	188,053
Related to Pension	<u>32,627</u>	<u>26,302</u>	<u>58,929</u>
Total Deferred Outflows of Resources	<u>136,746</u>	<u>110,236</u>	<u>246,982</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Warrants Payable	21,789	1,541	23,330
Accrued Payroll	8,275	6,658	14,933
Compensated Absences	2,814	939	3,753
Total OPEB Liability	41,490	33,447	74,937
Long-Term Bonds and Notes Payable	<u>78,950</u>	<u>424,785</u>	<u>503,735</u>
Total Current Liabilities	<u>153,318</u>	<u>467,370</u>	<u>620,688</u>
Noncurrent Liabilities:			
Compensated Absences	25,329	8,447	33,776
Net Pension Liability	70,534	56,861	127,395
Total OPEB Liability	1,132,276	912,773	2,045,049
Long-Term Bonds and Notes Payable	<u>450,100</u>	<u>2,481,946</u>	<u>2,932,046</u>
Total Noncurrent Liabilities	<u>1,678,239</u>	<u>3,460,027</u>	<u>5,138,266</u>
Total Liabilities	<u>1,831,557</u>	<u>3,927,397</u>	<u>5,758,954</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to OPEB	485,802	391,624	877,426
Related to Pension	<u>98,117</u>	<u>79,096</u>	<u>177,213</u>
Total Deferred Inflows of Resources	<u>583,919</u>	<u>470,720</u>	<u>1,054,639</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	8,095,022	5,595,857	13,690,879
Restricted for:			
Unrestricted	<u>2,673,161</u>	<u>3,553,882</u>	<u>6,227,043</u>
Total Net Position	<u>\$ 10,768,183</u>	<u>\$ 9,149,739</u>	<u>\$ 19,917,922</u>

See accompanying Notes to Basic Financial Statements.

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

	Business-Type Activities - Enterprise Funds		
	Sewer Enterprise	Water Enterprise	Total
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 6,802,655	\$ 5,234,028	\$ 12,036,683
<b>OPERATING EXPENSES</b>			
Cost of Service and Administration	533,328	745,194	1,278,522
MWRA Assessment	5,585,497	3,567,708	9,153,205
Pension and OPEB Benefits Adjustments	(203,216)	(165,936)	(369,152)
Depreciation	236,916	265,463	502,379
Total Operating Expenses	6,152,525	4,412,429	10,564,954
<b>OPERATING INCOME</b>	650,130	821,599	1,471,729
<b>NONOPERATING REVENUES</b>			
Investment Income	8,082	8,146	16,228
<b>INCOME BEFORE TRANSFERS</b>	658,212	829,745	1,487,957
Capital Contributions	727,500	-	727,500
Transfers Out	(559,517)	(480,249)	(1,039,766)
<b>CHANGE IN NET POSITION</b>	826,195	349,496	1,175,691
Net Position - Beginning of Year	9,941,988	8,800,243	18,742,231
<b>NET POSITION - END OF YEAR</b>	<u>\$ 10,768,183</u>	<u>\$ 9,149,739</u>	<u>\$ 19,917,922</u>

See accompanying Notes to Basic Financial Statements.

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

	Business-Type Activities - Enterprise Funds		
	Sewer Enterprise	Water Enterprise	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers and Users	\$ 6,781,036	\$ 5,183,848	\$ 11,964,884
Payments to Vendors	(5,677,306)	(4,333,394)	(10,010,700)
Payments to Employees	(423,765)	(347,303)	(771,068)
Net Cash Provided by Operating Activities	<u>679,965</u>	<u>503,151</u>	<u>1,183,116</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers Out	<u>(559,517)</u>	<u>(480,249)</u>	<u>(1,039,766)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from the Issuance of Bonds and Notes	242,500	700,000	942,500
Capital Contributions	727,500	-	727,500
Acquisition and Construction of Capital Assets	(781,397)	(725,825)	(1,507,222)
Principal Payments on Bonds and Notes	(69,700)	(377,786)	(447,486)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>118,903</u>	<u>(403,611)</u>	<u>(284,708)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment Income	<u>8,081</u>	<u>8,145</u>	<u>16,226</u>
Net Cash Provided by Investing Activities	<u>8,081</u>	<u>8,145</u>	<u>16,226</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	247,432	(372,564)	(125,132)
Cash and Cash Equivalents - Beginning of Year (Includes \$1,342,764 and \$1,337,352 restricted cash and cash equivalents in the Sewer and Water Enterprise Funds, respectively)	<u>3,123,548</u>	<u>3,570,903</u>	<u>6,694,451</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b> (Includes \$1,582,297 and \$305,289 restricted cash and cash equivalents in the Sewer and Water Enterprise Funds, respectively)	<u>\$ 3,370,980</u>	<u>\$ 3,198,339</u>	<u>\$ 6,569,319</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>			
Operating Income	\$ 650,130	\$ 821,599	\$ 1,471,729
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Changes in Assets and Liabilities not Requiring Current Cash Flows:			
Depreciation	236,916	265,463	502,379
Net Pension Liability	(65,025)	(52,644)	(117,669)
Total OPEB Liability	(138,191)	(113,292)	(251,483)
Effect of Changes in Operating Assets and Liabilities:			
User Charges	(33,240)	(55,485)	(88,725)
Utility Liens	11,621	5,305	16,926
Warrants Payable	18,277	(361,684)	(343,407)
Accrued Payroll	231	(3,919)	(3,688)
Compensated Absences	(754)	(2,192)	(2,946)
Total Adjustments	<u>29,835</u>	<u>(318,448)</u>	<u>(288,613)</u>
Net Cash Provided by Operating Activities	<u>\$ 679,965</u>	<u>\$ 503,151</u>	<u>\$ 1,183,116</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF STONEHAM, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2022**

	Pension Trust Fund (as of December 31, 2021)	Private Purpose Trust Funds	Custodial Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 38,736	\$ 1,503,702	\$ 20,269
Investments:			
Equity Mutual Funds	49,549,765	-	-
Fixed Income Mutual Funds	18,551,940	-	-
External Investment Pool (PRIT)	58,942,326	-	-
Receivables, Net of Allowance for Uncollectible Amounts:			
Other	21,098	-	-
Total Assets	127,103,865	1,503,702	20,269
<b>LIABILITIES</b>			
Warrants Payable	13,344	2,000	-
Total Liabilities	13,344	2,000	-
<b>FIDUCIARY NET POSITION</b>			
Restricted for:			
Pension Benefits	127,090,521	-	-
Individuals, Organizations, and Other Governments	-	1,501,702	20,269
Total Fiduciary Net Position	\$ 127,090,521	\$ 1,501,702	\$ 20,269

See accompanying Notes to Basic Financial Statements.

**TOWN OF STONEHAM, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2022**

	Pension Trust Fund (as of December 31, 2021)	Private Purpose Trust Funds	Custodial Funds
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 7,041,479	\$ -	\$ -
Plan Members	1,721,248	-	-
Private Donations	-	52,983	-
Total Contributions	<u>8,762,727</u>	<u>52,983</u>	<u>-</u>
Net Investment Income:			
Net Appreciation in Fair Value of Investments	15,490,046	-	-
Interest	3,147,255	(11,837)	-
Total Investment Income	18,637,301	(11,837)	-
Less: Investment Expense	(769,548)	-	-
Net Investment Income	<u>17,867,753</u>	<u>(11,837)</u>	<u>-</u>
Fees Collected for Other Governments	-	-	14,826
Intergovernmental	74,990	-	-
Total Additions	<u>26,705,470</u>	<u>41,146</u>	<u>14,826</u>
<b>DEDUCTIONS</b>			
Administration	265,180	-	-
Retirement Benefits, Including Reimbursements and Refunds	9,011,047	-	-
Scholarships Awarded	-	74,982	-
Fees Remitted to Other Governments	-	-	19,513
Total Deductions	<u>9,276,227</u>	<u>74,982</u>	<u>19,513</u>
<b>CHANGE IN FIDUCIARY NET POSITION</b>	17,429,243	(33,836)	(4,687)
Fiduciary Net Position - Beginning of Year	<u>109,661,278</u>	<u>1,535,538</u>	<u>24,956</u>
<b>FIDUCIARY NET POSITION - END OF YEAR</b>	<u>\$ 127,090,521</u>	<u>\$ 1,501,702</u>	<u>\$ 20,269</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. General**

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

**B. Reporting Entity**

The Town of Stoneham, Massachusetts (Town) is a municipal corporation that is governed by an elected five member Select Board and an appointed Town Administrator.

For financial reporting purposes, the basic financial statements include all funds, organizations, agencies, boards, commissions, and institutions that are not legally separate from the Town.

The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and/or significance of their relationship with the Town are such that exclusion would cause the Town's basic financial statements to be misleading or incomplete.

Fiduciary Fund Component Unit

The Town has included the Stoneham Contributory Retirement System (System) as a component unit (blended) in the reporting entity because of the significance of its operational and financial relationship with the Town. Fiduciary fund component units are entities that are legally separate from the Town, but are so related that they are, in substance, the same as the Town or entities providing services entirely or almost entirely for the benefit of the Town.

The System was established to provide retirement benefits to Town employees and their respective beneficiaries. The System is governed by a five-member board comprised of the Town Accountant (ex-officio), two members elected by the System's participants, a fourth member appointed by the Board of Selectmen and a fifth member appointed by the Retirement Board's members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary funds financial statements.

The System does not issue a separate audited financial statement. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at 35 Central Street, Stoneham, Massachusetts 02180.

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Reporting Entity (Continued)**

Joint Ventures

A joint venture is an organization (resulting from a contractual arrangement) that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture.

The Town participates in one joint venture with other municipalities to pool resources and share the costs, risks, and rewards of providing goods and services to venture participants directly, or for the benefit of the general public or specified recipients.

*Northeast Metropolitan Regional Vocational High School*

The Town is a member of the Northeast Metropolitan Regional Vocational High School District (District) which serves the members students seeking an education in academic and technical studies. The members share in the operations of the District and each member is responsible for its proportionate share of the operational and capital cost of the District, which are paid in the form of assessments. The Town's fiscal year 2022 assessment totaled \$1,375,880. Separate audited financial statements may be obtained by contacting the District Treasurer at 30 Log Bridge Road, Middleton, MA 01949.

**C. Implementation of New Accounting Principles**

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The Town adopted the requirements of the guidance effective July 1, 2021 and has applied the provisions of this standard to the beginning of the period. The implementation of this standard had no impact on the Town's beginning balances.

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Government-Wide Financial Statements

The government-wide financial statements (statement of net position and the statement of activities) report information on all non-fiduciary activities of the primary government and its component units. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are primarily supported by user fees.

Fund Financial Statements

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

**E. Measurement Focus, Basis of Accounting, and Basis of Presentation**

Government-Wide Financial Statements

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

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

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

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

Except for charges between the general fund and enterprise funds, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)**

Fund Financial Statements

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

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

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

The following major governmental funds are reported:

The *General fund* is used to account for and report all financial resources not accounted for and reported in another fund.

The *High School Construction fund* is a capital project fund used to account for funding and expenditures for the new high school construction project.

The *State and Local Fiscal Recovery fund* is used to account for and report all revenue and expenses related to the American Rescue Plan Act of 2021.

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

*Special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

*Capital projects funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)**

*Permanent funds* are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs and benefit the government or its citizenry.

**Proprietary funds** financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

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

The following major proprietary funds are reported:

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

The *water enterprise fund* is used to account for water activities.

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

The following fiduciary fund types are reported:

The *pension trust fund* is used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefits individuals, private organizations, or other governments.

The *custodial fund* is used to account for assets held in a custodial capacity. Such assets consist of fees collected for other governments.

**F. Cash and Investments**

Government-Wide and Fund Financial Statements

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

Investments are carried at fair value, net asset value (NAV), or amortized cost, as further discussed in Note 3.

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Accounts Receivable**

Government-Wide and Fund Financial Statements

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

**Real Estate Taxes, Personal Property Taxes, and Tax Liens**

Real estate and personal property taxes are levied and based on values assessed on January 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> and are subject to penalties and interest if they are not paid by the respective due date.

Real estate tax liens are processed in accordance with Massachusetts General Law (MGL) on delinquent properties and are recorded as receivables in the fiscal year they are processed.

**Motor Vehicle Excise Taxes**

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

**User Charges (Sewer and Water)**

User charges are levied quarterly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Sewer and water liens are processed in accordance with MGL and are included as a lien on the property owner's tax bill. Sewer and water charges are recorded as receivables when levied.

**Departmental and Other**

Departmental and other receivables consist primarily of uncollected trash fees and police details and are recorded as receivables in the fiscal year accrued.

**Intergovernmental**

Various state and federal operating and capital grants are applied for and received annually. Grant revenue is recognized as soon as all eligibility requirements imposed by the provider have been met.

**Leases**

The Town has various long-term, noncancellable lease agreements including a cellular antenna, a golf course and related facilities, a school classroom, and two billboards.

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Allowance for Uncollectible Amounts**

Government-Wide and Fund Financial Statements

The allowance for uncollectible amounts is estimated based on historical trends and specific account analysis for the following accounts receivable:

- Personal property taxes
- Motor vehicle and other excise taxes
- Departmental and other

At June 30, 2022, the allowances for uncollectible amounts for personal property taxes, motor vehicle and other excise taxes, and departmental and other receivables are immaterial and therefore not reported.

The following types of accounts receivable are secured via the lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible amounts is not reported.

- Real estate taxes and tax liens
- User charges (water and sewer)
- Trash liens
- Utility liens (water and sewer)

Intergovernmental receivables are considered 100% collectible.

**I. Inventories**

Government-Wide and Fund Financial Statements

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

**J. Restricted Assets**

Government-Wide and Fund Financial Statements

Assets are reported as restricted when limitations on their use change the nature of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

**K. Capital Assets**

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which consist of land, construction in progress, land improvements, buildings, machinery, vehicles and equipment, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activities column of the government-wide financial statements and the proprietary fund financial statements.

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Capital Assets (Continued)**

Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated acquisition value at the date of donation.

All purchases and construction costs are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

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

Capital Asset Type	Estimated Useful Life
Buildings	10 to 40
Land Improvements	15 to 40
Machinery, Vehicles, and Equipment	5 to 20
Infrastructure	10 to 60

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

Governmental Fund Financial Statements

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

**L. Interfund Receivables and Payables**

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

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as “internal balances”.

Fund Financial Statements

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

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**M. Interfund Transfers**

During the course of its operations, resources are permanently reallocated between and within funds.

Government-Wide Financial Statements

Transfers between and within governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, Net".

Fund Financial Statements

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

**N. Unearned Revenue**

Unearned revenue is presented in the governmental-wide statement of net position and governmental funds balance sheet and represents federal grants received by the Town in advance of meeting eligibility requirements for revenue recognition.

**O. Deferred Outflows of Resources**

Government-Wide and Fund Financial Statements

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

Deferred outflows of resources related to pensions and OPEB are reported in the government-wide and proprietary funds statements of net position.

**P. Deferred Inflows of Resources**

Government-Wide and Fund Financial Statements

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Unavailable revenue is reported in the governmental funds balance sheet. Unavailable revenue represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting.

Deferred inflows of resources related to pensions and OPEB are reported in the government-wide and proprietary funds statement of net position.

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**P. Deferred Inflows of Resources (Continued)**

Deferred inflows of resources related to leases are reported in the government-wide statement of net position and the governmental funds balance sheet.

**Q. Net Position and Fund Balances**

Government-Wide Financial Statements and Proprietary Fund Financial Statements (Net position)

Net position represents the residual difference between assets and deferred outflows less liabilities and deferred inflows.

Net position is reported as restricted when amounts are restricted by outside parties for a specific future use. Net position has been “restricted” for the following:

*Other postemployment benefits* (OPEB) represent restrictions for retirees’ health and life insurance benefits.

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

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

*Other specific purposes* represent restrictions placed on assets from outside parties.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding borrowings attributable to those assets and increased by unspent debt proceeds.

Unrestricted net position is the difference between total net position, net investment in capital assets and restricted net position.

Governmental Funds Financial Statements (Fund Balances)

The following fund balance classifications describe the relative strength of the spending constraints:

*Nonspendable* — represents amounts that cannot be spent either because they are in nonspendable form (i.e., prepaid amounts) or because they are legally or contractually required to be maintained intact (i.e., principal of permanent fund).

*Restricted* — represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

*Committed* — represents amounts that can be used only for specific purposes imposed by a formal action of Town Meeting, which is the highest level of decision-making authority for the Town. Committed amounts may be established, modified, or rescinded only through actions approved by Town Meeting.

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Q. Net Position and Fund Balances (Continued)**

*Assigned* — represents amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. Under the Town's structure, only authorized assignments for noncontractual encumbrances can be made by individual department heads.

*Unassigned* — represents the residual fund balance for the General Fund and the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned and unassigned.

Encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

**R. Long-Term Debt**

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statements of net position. Material bond premiums and discounts are amortized (through interest expense) over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium/discount.

Governmental Funds Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources when the debt is issued. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses.

Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

**S. Investment Income**

Government-Wide and Fund Financial Statements

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

Investment income from the proprietary funds and fiduciary funds is retained in the respective funds.

**T. Compensated Absences**

Government-Wide and Proprietary Fund Financial Statements

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

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**T. Compensated Absences (Continued)**

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

Governmental Funds Financial Statements

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

**U. Pensions**

Government-Wide and Proprietary Fund Financial Statements

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System and additions to/deductions from the 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 the benefit terms. Investments are reported at fair value.

**V. Other Postemployment Benefits**

Government-Wide and Proprietary Fund Financial Statements

In addition to providing pension benefits, and as more fully described in Note 11, the Town provides health and life insurance coverage for current and future retirees and their spouses.

**W. Use of Estimates**

Government-Wide and Fund Financial Statements

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

**X. Total Column**

Government-Wide Financial Statements

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

Fund Financial Statements

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

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

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

Appropriation increases to the original budget subsequent to the approval of the annual budget requires Special Town Meeting approval.

The majority of appropriations are noncontinuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year.

Generally, expenditures may not exceed the level of spending (salaries, expenses, and capital) authorized for an appropriation account. However, the Town is statutorily required to pay debt service, regardless of whether such amounts are appropriated.

An annual budget is adopted for the General Fund in conformity with the guidelines described above. The original fiscal year 2022 approved budget for the General Fund authorized \$73,509,208 in appropriations. During fiscal year 2022, supplemental appropriations totaling \$625,000 were authorized.

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

The General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance – Non-GAAP Budgetary Basis – Budget and Actual, presented in the accompanying Required Supplementary Information, presents comparison of the legally adopted budget, as amended, with actual results. The originally adopted budget is presented for purposes of comparison to the final, amended budget.

**B. Fund Deficits**

At June 30, 2022, the following fund deficits exist in the governmental funds:

Fund	Amount	Funding Source
Green Communities Lighting Grant	\$ 63,010	State Grant
COVID 19 FEMA Grant	243,300	Federal grant
Police Detail	186,634	User Charges and Available Funds
Total Deficits	<u>\$ 492,944</u>	

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

**C. Expenditures in Excess of Appropriations**

For the year ended June 30, 2022, the Town incurred expenditures in excess of appropriations for State and County Charges.

**NOTE 3 DEPOSITS AND INVESTMENTS**

**Town (Excluding the Pension Trust Fund)**

The municipal finance laws of the Commonwealth authorize the Town to invest temporarily idle cash in bank term deposits and certificates of deposits, and treasury and agency obligations of the United States government, with maturities of one year or less; U.S. Treasury or Agency repurchase agreements with maturities of not more than 90 days; money market accounts; and the state treasurer's investment pool – the Massachusetts Municipal Depository Trust (MMDT). The MMDT meets the criteria of an external investment pool and operates in accordance with applicable state laws and regulations. The Treasurer of the Commonwealth serves as Trustee. The reported value of the pool is the same as the fair value of pool shares.

A cash and investment pool is maintained that is available for use by all funds with unrestricted cash and investments. The deposits and investments of the permanent funds, private purpose trust funds, and the pension trust fund are held separately from other Town funds.

Deposits – Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits may not be recovered. The Town does not have a policy for custodial credit risk of deposits. As of June 30, 2022, none of Town's bank balance of \$150,270,004 was uninsured and uncollateralized. The carrying value of Town's deposits totaled \$149,662,536 at June 30, 2022.

Investments Summary

The Town's investments at June 30, 2022 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Total Amount	Investment Maturities (in Years)	
		Less Than 1	1 - 5
<u>Debt Securities:</u>			
U.S. Treasuries	\$ 6,924,164	\$ 6,924,164	\$ -
Money Market Mutual Funds	530,312	530,312	-
Fixed Income Mutual Funds	101,060	101,060	-
Certificates of Deposit	696,141	-	696,141
External Investment Pool (MMDT)	7,857,623	7,857,623	-
Total Debt Securities	16,109,300	\$ 15,413,159	\$ 696,141
<u>Other Investments:</u>			
Equity Securities	1,684,191		
Equity Mutual Funds	54,921		
Total Other Investments	1,739,112		
Total Investments	\$ 17,848,412		

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

Investments – Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The Town has a policy that the fixed income portion of the portfolio shall have an average maturity of not more than 10 years.

Investments – Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk of investments. As of June 30, 2022, the Town was not exposed to custodial credit risk.

Investments – Credit Risk of Debt Securities

Credit risk for investments is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. As of June 30, 2022, the Town's investments in money market mutual funds, fixed income securities, certificates of deposit, and external investment pools were unrated by a nationally recognized statistical rating organization.

Investments – Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. As of June 30, 2022, the Town was not exposed to concentration of credit risk.

Investments – Foreign Currency Risk

Foreign currency risk is the risk that fluctuations in exchange rates will adversely affect the fair value of an investment or deposit. As of June 30, 2022, the Town was not exposed to foreign currency risk.

Investments – Fair Value Measurements

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

Investment Type	Total Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level:</b>				
U.S. Treasuries	\$ 6,924,164	\$ 6,924,164	\$ -	\$ -
Money Market Mutual Funds	530,312	530,312	-	-
Certificates of Deposit	696,141	-	696,141	-
Equity Securities	1,684,191	1,684,191	-	-
Equity Mutual Funds	54,921	54,921	-	-
Fixed Income Mutual Funds	101,060	-	101,060	-
Total Investments by Fair Value Level	9,990,789	\$ 9,193,588	\$ 797,201	\$ -
<b>Investments measured at Amortized Cost:</b>				
External Investment Pool (MMDT)	7,857,623			
Total Investments	\$ 17,848,412			

Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

**Pension Trust Fund (The System)**

A portion of the System's investments include participation in the Pension Reserve Investment Trust (PRIT), which meets the criteria of an external investment pool and operates in accordance with applicable state laws and regulations. The Treasurer of the Commonwealth serves as Trustee and provides regulatory oversight. The reported value of the pool is the same as the fair value of the System's position in pool shares.

Deposits – Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the System's deposits may not be recovered. The System does not have a policy for custodial credit risk of deposits. As of December 31, 2021, the System was not exposed to custodial credit risk. The carrying value of the System's deposits totaled \$38,736 as of December 31, 2021.

Investment Summary

The System's investments at December 31, 2021 are presented below. All investments are presented by investment type, with debt securities presented by maturity:

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

<u>Investment Type</u>	<u>Total Amount</u>	<u>Investment Maturities (in Years) Less Than 1</u>
<u>Debt Securities:</u>		
Fixed Income Mutual Funds	\$ 18,551,940	\$ 18,551,940
Total Debt Securities	<u>18,551,940</u>	<u>\$ 18,551,940</u>
<u>Other Investments:</u>		
Equity Mutual Funds	49,549,765	
PRIT Investments	<u>58,942,326</u>	
Total Other Investments	<u>108,492,091</u>	
Total Investments	<u>\$ 127,044,031</u>	

Investments – Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The System does not have a policy for interest rate risk of debt securities.

Investments – Custodial Credit Risk

The Pension System does not have an investment policy for custodial credit risk. At December 31, 2021, the System's investments in PRIT totaling \$58,942,326 are not subject to custodial credit risk exposure because they are not evidenced by securities that exist in physical or book entry-form. At December 31, 2021, the System's other investments totaling \$68,101,705 are not subject to custodial credit risk exposure because they are registered in the name of the System.

Investments – Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The System does not have a policy for credit risk of debt securities. As of December 31, 2021, the investments in fixed income mutual funds and PRIT were unrated by a nationally recognized statistical rating organization.

Investments – Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investment in a single issuer. As of December 31, 2021, the System was not exposed to concentration of credit risk.

Investments – Foreign Currency Risk

Foreign currency risk is the risk that fluctuations in exchange rates will adversely affect the fair value of an investment or deposit. As of December 31, 2021, the System was not exposed to foreign currency risk.

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

Investments – Fair Value Measurements

The System categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investment Type	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level:</b>				
Equity Mutual Funds	\$ 49,549,765	\$ 49,549,765	\$ -	\$ -
Fixed Income Mutual Funds	18,551,940	18,551,940	-	-
Total Investments by Fair Value Level	68,101,705	<u>\$ 68,101,705</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Investments measured at the NAV:</b>				
External Investment Pool (PRIT)	58,942,326			
Total Investments	<u>\$ 127,044,031</u>			

PRIT investments are measured at the net asset value (NAV) per share or its equivalent. The PRIT fund is an external investment pool that is not registered with the Securities and Exchange Commission but is subject to oversight provided by the Pension Reserves Investment Management Board (the PRIM Board). The PRIM Board was created by legislation to provide general supervision of the investments and management of PRIT. The fair value of the PRIT pooled fund is based on unit value (NAV) as reported by management of the PRIT fund. Investments can be redeemed on a monthly basis with 24 hours' notice.

**NOTE 4 ACCOUNTS RECEIVABLE**

At June 30, 2022, receivables for the governmental funds are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<b>Receivables:</b>			
Real Estate and Personal Property Taxes	\$ 991,606	\$ -	\$ 991,606
Tax and Trash Liens	116,083	-	116,083
Motor Vehicle and Other Excise Taxes	408,266	-	408,266
Departmental and Other	130,027	-	130,027
Intergovernmental	1,617,681	-	1,617,681
Leases	6,966,869	-	6,966,869
Total	<u>\$ 10,230,532</u>	<u>\$ -</u>	<u>\$ 10,230,532</u>

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 4 ACCOUNTS RECEIVABLE (CONTINUED)**

At June 30, 2022, receivables for the enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<b>Receivables:</b>			
Sewer	\$ 2,604,088	\$ -	\$ 2,604,088
Water	2,009,787	-	2,009,787
Utility Liens	62,265	-	62,265
Total	\$ 4,676,140	\$ -	\$ 4,676,140

**Stoneham Central Middle School**

The Massachusetts School Building Authority (MSBA) provides contract assistance to the Town for the completed Stoneham Central Middle School construction project. The assistance program provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2022, \$341,826 of such assistance was received and is reported as revenue in the General Fund. \$341,826 will be received in future fiscal years. Of this amount, \$17,894 represents reimbursement of long-term interest costs, and \$323,932 represents reimbursement of approved construction costs. Accordingly, a \$323,932 intergovernmental receivable and corresponding deferred inflow have been reported on the General Fund balance sheet. The unavailable revenue has been recognized as revenue in the conversion to the government-wide financial statements.

**Stoneham High School**

The MSBA provides contract assistance to the town related to the High School Construction project, which began in fiscal year 2021. The town has received \$2,470,951 as of June 30, 2022, and has recorded a receivable of \$1,002,966 as of June 30, 2022.

**NOTE 5 LEASES (LESSOR)**

The Town, acting as lessor, leases the following for various terms under long-term, non-cancelable lease agreements: cellular antenna, golf course facilities, classroom space, and billboards. The leases expire at various dates through 2066. During the year ended June 30, 2022, the Town received variable payments as required by lease agreements totaling \$594,627.

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 5 LEASES (LESSOR) (CONTINUED)**

Total future minimum lease receipts to be received are as follows:

	Governmental Activities		
	Principal	Interest	Total
2023	\$ 438,556	\$ 157,291	\$ 595,847
2024	450,884	146,897	597,781
2025	455,518	136,231	591,749
2026	453,446	125,665	579,111
2027	470,016	114,856	584,872
2028-2032	1,384,950	442,481	1,827,431
2033-2037	555,085	352,138	907,223
2038-2042	311,284	303,799	615,083
2043-2047	366,994	264,673	631,667
2048-2052	439,043	217,623	656,666
2053-2057	520,027	161,640	681,667
2058-2062	611,051	95,616	706,667
2062-2067	510,015	21,652	531,667
Total minimum lease receipts	\$ 6,966,869	\$ 2,540,562	\$ 9,507,431

**NOTE 6 CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 6,258,486	\$ -	\$ -	\$ 6,258,486
Construction in Progress	-	6,438,823	-	6,438,823
Total Capital Assets Not Being Depreciated	6,258,486	6,438,823	-	12,697,309
<u>Capital Assets Being Depreciated:</u>				
Land Improvements	788,383	-	-	788,383
Buildings	111,991,162	733,977	(225,600)	112,499,539
Machinery, Vehicles and Equipment	9,399,026	-	(1,233,425)	8,165,601
Infrastructure	20,623,859	860,619	-	21,484,478
Total Capital Assets Being Depreciated	142,802,430	1,594,596	(1,459,025)	142,938,001
<u>Less Accumulated Depreciation for:</u>				
Land Improvements	(308,406)	(64,722)	-	(373,128)
Buildings	(50,364,551)	(2,569,910)	155,213	(52,779,248)
Machinery, Vehicles and Equipment	(6,520,798)	(580,698)	1,233,425	(5,868,071)
Infrastructure	(8,984,961)	(587,174)	-	(9,572,135)
Total Accumulated Depreciation	(66,178,716)	(3,802,504)	1,388,638	(68,592,582)
Total Capital Assets Being Depreciated, Net	76,623,714	(2,207,908)	(70,387)	74,345,419
Total Governmental Activities Capital Assets, Net	\$ 82,882,200	\$ 4,230,915	\$ (70,387)	\$ 87,042,728

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 6 CAPITAL ASSETS (CONTINUED)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activity- Sewer Enterprise:</b>				
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 215,801	\$ -	\$ -	\$ 215,801
<u>Capital Assets Being Depreciated:</u>				
Buildings and Improvements	1,600,441	-	-	1,600,441
Machinery, Vehicles and Equipment	293,190	-	-	293,190
Infrastructure	7,252,887	781,397	-	8,034,284
Total Capital Assets Being Depreciated	9,146,518	781,397	-	9,927,915
<u>Less Accumulated Depreciation for:</u>				
Buildings and Improvements	(936,241)	(23,799)	-	(960,040)
Machinery, Vehicles and Equipment	(263,344)	(11,938)	-	(275,282)
Infrastructure	(1,665,440)	(201,179)	-	(1,866,619)
Total Accumulated Depreciation	(2,865,025)	(236,916)	-	(3,101,941)
Total Capital Assets Being Depreciated, Net	6,281,493	544,481	-	6,825,974
Total Sewer Enterprise Capital Assets, Net	\$ 6,497,294	\$ 544,481	\$ -	\$ 7,041,775
<b>Business-Type Activity- Water Enterprise:</b>				
<u>Capital Assets Being Depreciated:</u>				
Buildings	\$ 26,438	\$ -	\$ -	\$ 26,438
Machinery, Vehicles and Equipment	6,180	-	-	6,180
Infrastructure	10,169,220	725,825	-	10,895,045
Total Capital Assets Being Depreciated	10,201,838	725,825	-	10,927,663
<u>Less Accumulated Depreciation for:</u>				
Buildings	(26,438)	-	-	(26,438)
Machinery, Vehicles and Equipment	(6,180)	-	-	(6,180)
Infrastructure	(2,432,283)	(265,463)	-	(2,697,746)
Total Accumulated Depreciation	(2,464,901)	(265,463)	-	(2,730,364)
Total Water Enterprise Capital Assets, Net	\$ 7,736,937	\$ 460,362	\$ -	\$ 8,197,299
Total Business-Type Activities Capital Assets, Net	\$ 14,234,231	\$ 1,004,843	\$ -	\$ 15,239,074

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

**Governmental Activities:**

General Government	\$ 70,294
Public Safety	408,574
Education	2,326,081
Public Works	754,699
Culture and Recreation	242,858
Total Depreciation Expense - Governmental Activities	\$ 3,802,504

**Business-Type Activities:**

Sewer	\$ 236,916
Water	265,463
Total Depreciation Expense - Business-Type Activities	\$ 502,379

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 7 INTERFUND TRANSFERS AND BALANCES**

Interfund transfers for the fiscal year ended June 30, 2022, are summarized below:

Transfers Out:	Transfers In:		
	General Fund	Nonmajor Governmental Fund	Total
General Fund	\$ -	\$ 275,000	\$ 275,000 (1)
Sewer Enterprise Fund	559,517	-	559,517 (2)
Water Enterprise Fund	480,249	-	480,249 (2)
	\$ 1,039,766	\$ 275,000	\$ 1,314,766

- (1) Represents budgeted transfers from the general fund to special revenue funds to subsidize waste and recycling.
- (2) Represents budgeted transfers from the sewer and water enterprise funds to the general fund for indirect costs.

**NOTE 8 SHORT-TERM DEBT**

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

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

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the General Fund and Enterprise Funds, respectively.

Details related to the short-term debt activity for the fiscal year ended June 30, 2022, is as follows:

**Governmental Funds**

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at June 30, 2021	Increases	Decreases	Balance at June 30, 2022
BAN	Golf Course Irrigation Replacement	12/18/20	12/17/21	0.84%	\$ 160,000	\$ -	\$ (160,000)	\$ -
BAN	Pump/Vac Truck	12/18/20	12/17/21	0.60%	4,000	-	(4,000)	-
BAN	Sewer/Drain Line Video Camera	12/18/20	12/17/21	0.60%	45,000	-	(45,000)	-
BAN	Golf Course Irrigation Replacement	12/17/21	3/17/22	1.10%	-	160,000	(160,000)	-
	Total				\$ 209,000	\$ 160,000	\$ (369,000)	\$ -

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 8 SHORT-TERM DEBT (CONTINUED)**

Subsequent Events

On February 1, 2023, the Town issued new BANs of \$1,045,700 for various purposes. The new BANs have an interest rate of 4.0% and a maturity date of February 1, 2024.

**NOTE 9 LONG-TERM OBLIGATIONS**

The following represents a summary of changes that occurred in long-term obligations during the fiscal year ended June 30, 2022:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
<b>Governmental Activities:</b>					
Bonds and Notes Payable	\$ 19,715,550	\$ 130,034,450	\$ (3,530,000)	\$ 146,220,000	\$ 4,635,000
Unamortized Bond Premiums	734,328	7,961,214	(644,680)	8,050,862	603,239
Total Bonds and Notes Payable	20,449,878	137,995,664	(4,174,680)	154,270,862	5,238,239
Compensated Absences	1,321,826	-	(224,433)	1,097,393	109,739
Total	<u>\$ 21,771,704</u>	<u>\$ 137,995,664</u>	<u>\$ (4,399,113)</u>	<u>\$ 155,368,255</u>	<u>\$ 5,347,978</u>
<b>Business-Type Activities:</b>					
Bonds and Notes Payable	\$ 2,940,767	\$ 942,500	\$ (447,486)	\$ 3,435,781	\$ 503,735
Compensated Absences	40,475	-	(2,946)	37,529	3,753
Total	<u>\$ 2,981,242</u>	<u>\$ 942,500</u>	<u>\$ (450,432)</u>	<u>\$ 3,473,310</u>	<u>\$ 507,488</u>

The governmental activities long-term liabilities are generally liquidated by the General Fund. The business-type long-term liabilities are liquidated by the sewer and water enterprise funds.

**NOTE 10 LONG-TERM DEBT**

Details related to the outstanding indebtedness at June 30, 2022, and the debt service requirements are as follows:

**Bonds and Notes Payable - Governmental Funds**

Project	Maturity Date	Interest Rate	Outstanding at June 30, 2021	Issued	Redeemed	Outstanding at June 30, 2022
General Obligation Bonds 2010	06/01/21	2.00-5.00%	\$ 430,000	\$ -	\$ (430,000)	\$ -
General Obligation Bonds 2011	06/15/31	2.00-4.00%	900,000	-	(900,000)	-
General Obligation Refunding Bonds 2012	06/15/23	2.00-4.00%	1,130,000	-	(635,000)	495,000
General Obligation Bonds 2013	02/15/33	2.00-4.00%	11,825,000	-	(800,000)	11,025,000
General Obligation Refunding Bonds 2016	12/15/26	2.00-3.00%	104,000	-	(104,000)	-
General Obligation Bonds 2016	12/15/26	2.00-3.00%	1,091,000	-	(101,000)	990,000
General Obligation Bonds 2017	06/30/42	3.00-4.00%	1,235,000	-	(70,000)	1,165,000
General Obligation Bonds 2018	12/15/31	3.00-4.00%	1,315,000	-	(80,000)	1,235,000
General Obligation Bonds 2019	12/15/29	4.00-5.00%	565,000	-	(180,000)	385,000
General Obligation Bonds 2019	12/15/29	4.00-5.00%	575,000	-	(110,000)	465,000
Pump/Vac Truck	06/01/30	4.00%	421,000	-	-	421,000
Golf Course Inflow & Infiltration Study	06/01/36	2.00-4.00%	124,550	-	-	124,550
General Obligation Bonds 2021	06/01/36	2.00-4.00%	-	929,450	-	929,450
General Obligation Refunding Bonds 2021	06/01/31	2.00-4.00%	-	1,225,000	(120,000)	1,105,000
High School Construction GOB 2022	01/15/52	2.00-5.00%	-	127,745,000	-	127,745,000
Golf Course Irrigation GOB 2022	01/15/32	2.00-5.00%	-	135,000	-	135,000
Total Governmental Funds			<u>\$ 19,715,550</u>	<u>\$ 130,034,450</u>	<u>\$ (3,530,000)</u>	<u>\$ 146,220,000</u>

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 10 LONG-TERM DEBT (CONTINUED)**

Debt service requirements (gross) for principal and interest for governmental bonds and notes payable in future fiscal years are as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 4,635,000	\$ 4,542,040	\$ 9,177,040
2024	4,155,000	4,462,856	8,617,856
2025	4,165,000	4,268,481	8,433,481
2026	4,280,000	4,071,905	8,351,905
2027	4,390,000	3,868,457	8,258,457
2028	4,555,000	3,661,207	8,216,207
2029	4,720,000	3,455,730	8,175,730
2030	4,925,000	3,242,805	8,167,805
2031	5,000,000	3,021,207	8,021,207
2032	5,025,000	2,801,932	7,826,932
2033	5,220,000	2,578,907	7,798,907
2034	4,245,000	2,345,268	6,590,268
2035	4,200,000	2,260,445	6,460,445
2036	4,280,000	2,175,895	6,455,895
2037	4,300,000	2,089,741	6,389,741
2038	4,380,000	1,997,749	6,377,749
2039	4,475,000	1,904,168	6,379,168
2040	4,575,000	1,803,031	6,378,031
2041	4,680,000	1,699,644	6,379,644
2042	4,785,000	1,593,843	6,378,843
2043	4,875,000	1,450,169	6,325,169
2044	5,025,000	1,303,919	6,328,919
2045	5,175,000	1,153,169	6,328,169
2046	5,310,000	1,017,325	6,327,325
2047	5,450,000	877,938	6,327,938
2048	5,595,000	734,875	6,329,875
2049	5,730,000	595,000	6,325,000
2050	5,875,000	451,750	6,326,750
2051	6,020,000	304,875	6,324,875
2052	6,175,000	154,375	6,329,375
Total	<u>\$ 146,220,000</u>	<u>\$ 65,888,702</u>	<u>\$ 212,108,702</u>

**Bonds and Notes Payable – Sewer Enterprise Fund**

Project	Maturity Date	Interest Rate	Outstanding at June 30, 2021	Issued	Redeemed	Outstanding at June 30, 2022
Sewer - MWRA*	6/30/2026	0.00%	\$ 162,250	\$ -	\$ (45,450)	\$ 116,800
Sewer - MWRA*	6/30/2029	0.00%	194,000	-	(24,250)	169,750
Sewer - MWRA*	6/30/2031	0.00%	-	242,500	-	242,500
Total Sewer Enterprise Fund			<u>\$ 356,250</u>	<u>\$ 242,500</u>	<u>\$ (69,700)</u>	<u>\$ 529,050</u>

\*Notes from direct borrowings

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 10 LONG-TERM DEBT (CONTINUED)**

**Bonds and Notes Payable – Sewer Enterprise Fund (Continued)**

Debt service requirements for the sewer enterprise fund bonds and notes payable in future years are as follows:

Fiscal Year	Notes from Direct Borrowings		
	Principal	Interest	Total
2023	\$ 78,950	\$ -	\$ 78,950
2024	78,950	-	78,950
2025	78,950	-	78,950
2026	73,950	-	73,950
2027	48,500	-	48,500
2028	48,500	-	48,500
2029	48,500	-	48,500
2030	24,250	-	24,250
2031	24,250	-	24,250
2032	24,250	-	24,250
<b>Total</b>	<b>\$ 529,050</b>	<b>\$ -</b>	<b>\$ 529,050</b>

**Bonds and Notes Payable – Water Enterprise Fund**

Project	Maturity Dates	Interest Rate	Outstanding at June 30, 2021	Issued	Redeemed	Outstanding at June 30, 2022
Water - MWRA*	6/30/2026	0.00%	\$ 784,517	\$ -	\$ (197,786)	\$ 586,731
Water - MWRA*	6/30/2031	0.00%	1,800,000	-	(180,000)	1,620,000
Water - MWRA*	6/30/2032	0.00%	-	700,000	-	700,000
<b>Total Water Enterprise Fund</b>			<b>\$ 2,584,517</b>	<b>\$ 700,000</b>	<b>\$ (377,786)</b>	<b>\$ 2,906,731</b>

\*Notes from direct borrowings

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 10 LONG-TERM DEBT (CONTINUED)**

**Bonds and Notes Payable – Water Enterprise Fund (Continued)**

Debt service requirements (gross) for principal and interest for water enterprise fund bonds and notes payable in future fiscal years are as follows:

Fiscal Year	Notes from Direct Borrowings		
	Principal	Interest	Total
2023	\$ 424,785	\$ -	\$ 424,785
2024	394,146	-	394,146
2025	383,900	-	383,900
2026	383,900	-	383,900
2027	250,000	-	250,000
2028	250,000	-	250,000
2029	250,000	-	250,000
2030	250,000	-	250,000
2031	250,000	-	250,000
2032	70,000	-	70,000
Total	\$ 2,906,731	\$ -	\$ 2,906,731

During fiscal year 2022, the Town issued \$128,809,450 of general obligation bonds for high school construction, a new fire engine, streets and sidewalk repairs, and golf course irrigation and rehab. In addition, the Town issued \$942,500 of MWRA loans for sewer and water rehab projects.

**Current Refunding**

On September 28, 2021, the Town issued \$1,225,000 in current refunding bonds to redeem \$1,330,000 of previously issued and outstanding bonds. As a result, the Town will reduce its total gross debt service payments over the remaining life of the bonds by approximately \$105,000 and will realize an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$144,000.

**Authorized and Unissued Debt**

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2022, the Town had the following authorized and unissued debt:

Purpose	Amount
High School Construction	\$ 52,047,927
Middle School Construction	1,096,232
Sewer (Phase 11, 12, & 13)	970,000
Sewer (Phase 10)	610,500
High School Feasibility Study	390,450
Water	200,000
School Feasibility Study	28,325
Golf Course Irrigation Replacement	500
Total	\$ 55,343,934

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 11 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**Plan Description** – The Town provides lifetime healthcare insurance coverage for its retirees and their spouses (hereinafter referred to as the Plan) as a single-employer defined benefit Other Post-Employment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions. The Plan does not issue a stand-alone financial report.

**Funding Policy** – The contribution requirements of Plan members and the Town are established and may be negotiated between the Town and Union representatives. The required health insurance contribution rates (including Medicare Part B) of Plan members and the Town vary by health plan and range from 15 - 25% and 85 - 75%, respectively. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Town.

**Plan Members Covered by Benefit Terms** – At June 30, 2022 the following plan members were covered by benefit terms:

Active Plan Members	561
Inactive Members Entitled to But Not Receiving Benefits	12
Retired, Disabled, Survivors, and Beneficiaries Receiving Benefits	430
Total	1,003

**Total OPEB Liability**

The Town's Total OPEB liability of \$117,584,014 was measured as of June 30, 2022 and was determined by an actuarial valuation as of July 1, 2021, which has been rolled forward to the June 30, 2022 measurement date.

The significant methods and assumptions used to measure the total OPEB liability are as follows:

Discount Rate:	3.54%, net of investment expenses
Healthcare/Medical Cost Trend Rate:	
Commercial Managed Care Plan	5.38% decreasing to an ultimate level of 5.0%
Commercial Indemnity Plan	2.96% increasing to an ultimate level of 5.0%
Medicare Managed Care Plan	3.88% increasing to an ultimate level of 5.0%
Medicare Indemnity Plan	2.55% increasing to an ultimate level of 5.0%
Actives Non-Teachers Mortality:	The RPH-2014 Headcount-weighted Mortality Tables adjusted to 2006, sex-distinct, for Employees, projected using generational mortality and scale MP-2021. (Prior valuation used RP-2014 with MP-2019.)
Actives Teachers Mortality:	The PubH-2010 Headcount-weighted Teachers Mortality Tables, sex-distinct, for Employees, projected using generational mortality and scale MP-2021. (Prior valuation used RP-2014 with MP-2019.)
Retired Non-Teachers and Survivors Mortality:	The RPH-2014 Headcount-weighted Mortality Tables adjusted to 2006, sex-distinct, for Healthy Annuitants, projected using generational mortality and scale MP-2021. Set forward 2 years for disabled retirees. (Prior valuation used RP-2014 with MP-2019.)
Retired Teachers:	The PubH-2010 Headcount-weighted Teachers Mortality Tables, sex-distinct, for Healthy Retirees, projected using generational mortality and scale MP-2021. Set forward 2 years for disabled retirees. (Prior valuation used RP-2014 with MP-2019.)

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 11 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Changes in the Total OPEB Liability**

Balance at June 30, 2021	\$ 156,586,574
Changes for the year:	
Service cost	6,658,781
Interest	3,485,026
Differences between expected and actual experience	(19,790,651)
Benefit payments	(3,803,077)
Changes of Assumptions	<u>(25,552,639)</u>
Net Changes	<u>(39,002,560)</u>
Balance at June 30, 2022	<u><u>\$ 117,584,014</u></u>

Changes of Assumptions reflects a change in the discount rate from 2.16% to 3.54%.

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease (2.54%)</u>	<u>Current Discount Rate (3.54%)</u>	<u>1% Increase (4.54%)</u>
Net OPEB Liability	\$ 136,711,612	\$ 117,584,014	\$ 102,291,415

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.* The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate Base Trend</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 99,253,233	\$ 117,584,014	\$ 141,409,467

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 11 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

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

For the year ended June 30, 2022, the Town recognized OPEB expense of \$1,017,581. At June 30, 2022, the Town reported the following deferred outflows of resources and deferred inflows of resources related to OPEB:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ 27,721,774
Changes of Assumptions	<u>10,430,259</u>	<u>20,944,250</u>
Total	<u><u>\$ 10,430,259</u></u>	<u><u>\$ 48,666,024</u></u>

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

<u>Year Ended June 30,</u>	<u>Amount</u>
2023	\$ (8,712,157)
2024	(9,175,159)
2025	(8,042,164)
2026	(8,259,252)
2027	<u>(4,047,033)</u>
Total	<u><u>\$ (38,235,765)</u></u>

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 12 FUND BALANCE**

The constraints on fund balances in the Governmental Funds Balance Sheet are detailed as follows:

	General	High School Construction	State and Local Fiscal Recovery Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>					
Permanent Fund Principal	\$ -	\$ -	\$ -	\$ 1,164,928	\$ 1,164,928
<b>Restricted:</b>					
OPEB	357,512	-	-	-	357,512
Town Gift and Grant Funds	-	-	-	172,067	172,067
Town Other Funds	-	-	-	2,556,321	2,556,321
School Lunch	-	-	-	659,813	659,813
School Gift and Grant Funds	-	-	-	980,226	980,226
School Other Funds	-	-	-	687,025	687,025
Receipts Reserved for Appropriation	-	-	-	19,549	19,549
Capital Projects	-	131,746,450	-	1,038,681	132,785,131
Cemeteries	-	-	-	315,635	315,635
Libraries	-	-	-	133,473	133,473
Other Permanent Funds	-	-	-	455,035	455,035
Public Safety	-	-	-	186,634	186,634
Sub-Total - Restricted	<u>357,512</u>	<u>131,746,450</u>	<u>-</u>	<u>7,204,459</u>	<u>139,308,421</u>
<b>Committed:</b>					
Capital Stabilization	634,160	-	-	-	634,160
Subsequent Year's Expenditures	919,490	-	-	-	919,490
Continuing Appropriations	691,350	-	-	-	691,350
Sub-Total - Committed	<u>2,245,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,245,000</u>
<b>Assigned:</b>					
Encumbrances	94,430	-	-	-	94,430
Sub-Total -Assigned	<u>94,430</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,430</u>
<b>Unassigned</b>	<u>12,437,168</u>	<u>-</u>	<u>-</u>	<u>(492,944)</u>	<u>11,944,224</u>
<b>Total</b>	<u>\$ 15,134,110</u>	<u>\$ 131,746,450</u>	<u>\$ -</u>	<u>\$ 7,876,443</u>	<u>\$ 154,757,003</u>

**NOTE 13 STABILIZATION FUNDS**

The Town maintains general and capital stabilization funds that were established under MGL Chapter 40, Section 5B. Appropriations in and out of the stabilization funds require two-thirds vote of Town Meeting. Investment income is retained by the funds.

The balance of the general and capital stabilization funds at June 30, 2022 total \$4,458,361 and \$634,160, respectively, and are reported as unassigned and committed fund balances in the general fund, respectively.

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 14 PENSION PLAN**

**Plan Description** – The Town contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Stoneham Retirement Board. Substantially all employees of the Town are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System.

As of the most recent actuarial valuation dated January 1, 2020, the System’s membership consisted of the following:

Active Members	313
Inactive Members	97
Retirees and Beneficiaries Currently Receiving Benefits	291
Total	701

The System is governed by a five-member board comprised of the Town Accountant (ex-officio), two members elected by the System’s participants, a fourth member appointed by the Select Board and a fifth member appointed by the Retirement Board’s members.

**Benefits Provided** – The System provides retirement, disability and death benefits to plan members and beneficiaries, pursuant to MGL Chapter 32, up to a maximum of 80% of the average of a member’s three (if hired before April 1, 2012) or five (if hired on or after April 1, 2012) highest consecutive years’ regular compensation. In addition to regular compensation, benefits are based upon a member’s age, length of creditable service and group classification. Members become vested after ten years of creditable service. A normal retirement allowance may be received after the completion of 20 years of service or upon reaching age 55 (if hired before April 1, 2012) or 60 (if hired on or after April 1, 2012), with 10 years of service. Normal retirement for most employees occurs at age 65 (if hired before April 1, 2012) or 67 (if hired on or after April 1, 2012), except for certain hazardous duty and public safety employees who attain normal retirement at age 55 (if hired before April 1, 2012) or 57 (if hired on or after April 1, 2012).

**Contributions** – Chapter 32 of MGL governs the contributions of plan members and the Town. Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. Members hired in 1979 or subsequent contribute an additional 2% of regular compensation in excess of \$30,000. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on annual covered payroll.

For the year ended December 31, 2021, active member contributions totaled \$1,721,248 and employer contributions totaled \$7,041,479. Contributions to the System from the Town were \$6,880,229 for the year ended June 30, 2022.

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 14 PENSION PLAN (CONTINUED)**

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*** – The components of the net pension liability of the System at December 31, 2021, were as follows:

Total Pension Liability	\$	134,322,021
Plan Fiduciary Net Position		<u>(127,090,521)</u>
Net Pension Liability	\$	<u>7,231,500</u>
Plan Fiduciary Net Position as a Percentage of the Total		94.62%

At June 30, 2022, the Town reported a liability of \$7,065,898 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020 that was rolled forward to the December 31, 2021 measurement date. The Town's proportion of the net pension liability is the proportionate share of employer contributions to the System as of December 31, 2021, actuarially determined. At December 31, 2021, the Town's proportion was 97.71%, compared to a proportion of 97.03% as of December 31, 2020.

For the year ended June 30, 2022, the Town recognized pension expense of \$1,678,971. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ -	\$ 8,844,656
Changes in Assumptions	348,196	947,882
Changes in Proportion	103,629	28,963
Differences Between Expected and Actual Experience	<u>2,816,594</u>	<u>7,551</u>
Total	<u>\$ 3,268,419</u>	<u>\$ 9,829,052</u>

The net amount reported as deferred outflows/inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2022	\$ (300,169)
2023	(2,937,526)
2024	(1,401,398)
2025	<u>(1,921,540)</u>
Total	<u>\$ (6,560,633)</u>

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 14 PENSION PLAN (CONTINUED)**

Actuarial Assumptions

The total pension liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, that was rolled forward to the December 31, 2021 measurement date:

Assumptions:

Salary Increases	4.25% ultimate rate, plus the following steps: Group 4 - 8.75% steps for years 1 - 5; Others - 6.25% steps for years 1 - 8.
Investment Rate of Return	7.25%
Interest Rate Credited to Annuity Savings Fund	2.00%
Cost of Living Adjustment	A 3% COLA on the first \$13,000 of a member's retirement allowance is assumed to be granted every year.
Mortality	Mortality Assumption: RP-2014 adjusted to 2006, projected generationally using MP-2019. The prior valuation used the same table projected with MP-2016. The net effect of the change decreased the liability by \$1.5 million
Retirement Rates	General Employees (Group 1 and 2) - Ages 60 - 70. Police and Fire (Group 4) - Ages 55 - 65.

Investment Policies and Rates of Return

Deposits and investments made by the System are governed by Chapter 32 of the MGL.

For the year ended December 31, 2021, the annual money-weighted rate of return on System investments, net of investment expense, was 16.31%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 14 PENSION PLAN (CONTINUED)**

Investment Policies and Rates of Return (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class 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	56-58%	
US Equity		3.61%
International Equities		3.70%
Emerging Equities		5.95%
Hedge Equity		3.02%
Core Fixed Income	16-17%	
Core Bonds		0.49%
Short-Term Fixed Income		-0.19%
Treasury STRIPS		-0.49%
TIPS/ILBs		-0.29%
Value-Added Fixed Income	5-7%	3.70%
Private Equity	6-8%	7.31%
Real Estate	10-12%	3.31%
Timberland	0-2%	3.90%
Portfolio Completion (PCS)	2-3%	2.73%
Totals	<u>100.00 %</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 14 PENSION PLAN (CONTINUED)**

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

The following presents the net pension liability of the System calculated using the discount rate of 7.25%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Town's Proportionate Share of the Net Pension Liability	\$ 20,696,381	\$ 7,065,898	\$ (4,496,962)

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
System's Net Pension Liability	\$ 21,181,436	\$ 7,231,500	\$ (4,602,356)

Legally Required Reserve Accounts – The balance in the System's legally required reserves as of December 31, 2021 are as follows:

Description	Amount	Purpose
Annuity Savings Fund	\$ 17,281,866	Active members' contribution balance
Annuity Reserve Fund	3,715,503	Retired members' contribution account
Military Service Fund	55,716	Military leave of absence contribution balance
Pension Reserve Fund	105,815,655	Amounts appropriated to fund future retirement
Pension Fund	221,781	Remaining Net Position
Total	\$ 127,090,521	

**NOTE 15 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM**

**Plan Description** – Public school teachers and certain administrators are provided with pensions through the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Massachusetts Teachers' Retirement Board. The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report. The MTRS is reported as a Pension Trust Fund in the Commonwealth's audited financial statements that can be found at: <http://www.mass.gov/osc/publications-and-reports/financial-reports/cafr-reports.html>.

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 15 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM (CONTINUED)**

**Benefits Provided** – MTRS provides retirement, disability, survivor and death benefits to members and their beneficiaries. MGL establishes uniform benefit requirements. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five 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 ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten 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.

**Contributions** – 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. Member contributions for MTRS vary depending on the most recent date of membership, ranging from 5-11% of regular compensation. Members hired in 1979 or subsequent contribute an additional 2.0% of regular compensation in excess of \$30,000.

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributing entity in MTRS.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – Since the Town does not contribute directly to MTRS, the Town does not report a proportionate share of the net pension liability of the MTRS at June 30, 2022. The Commonwealth's net pension liability associated with the Town was \$59,103,763.

The MTRS' net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2021 rolled forward to June 30, 2021.

For the year ended June 30, 2022, the Town recognized pension expense of \$4,742,831 associated with MTRS and revenue of the same amount for support provided by the Commonwealth.

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 15 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM (CONTINUED)**

**Actuarial Assumptions** – The MTRS’ total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of January 1, 2021 rolled forward to June 30, 2021. This valuation used the following assumptions:

Investment rate of return – 7.00%

Salary increases – Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.

Mortality rates – Pre-retirement reflects Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct). Postretirement reflects Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct). Disability is assumed to be in accordance with the Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).

Other – 3.5% interest rate credited to the annuity savings fund; 3.0% cost of living increase on the first \$13,000 per year.

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	39.00 %	4.8%
Core Fixed Income	15.00	3.0%
Private Equity	13.00	7.8%
Portfolio Completion Strategies	11.00	2.9%
Real Estate	10.00	3.7%
Value Added Fixed Income	8.00	3.9%
Timber/Natural Resources	4.00	4.3%
Totals	<u>100.00 %</u>	

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 15 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM (CONTINUED)**

**Discount Rate** – The discount rate used to measure the MTRS’ 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’s 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.

**Pension Plan Fiduciary Net Position** – Detailed information about the MTRS’ fiduciary net position is available in the Commonwealth’s audited financial statements.

**NOTE 16 COMMITMENTS**

The Town has significant commitments include encumbrances and continuing appropriations totaling \$1,099,404 for the General Fund as of June 30, 2022.

**NOTE 17 CONTINGENCIES**

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards through June 30, 2022, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2022, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2022.

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

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**TOWN OF STONEHAM, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NON-GAAP BUDGETARY BASIS – BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2022**

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
<b>REVENUES</b>				
Real Estate and Personal Property Taxes	\$ -	\$ 55,499,567	\$ -	\$ 55,499,567
Motor Vehicle and Other Excise Taxes	-	3,245,025	-	3,245,025
Hotel/Motel Tax	-	306,000	-	306,000
Tax Liens	-	-	-	-
Payments in Lieu of Taxes	-	55,000	-	55,000
Intergovernmental	-	10,625,077	-	10,625,077
Penalties and Interest on Taxes	-	178,000	-	178,000
Licenses and Permits	-	762,000	-	762,000
Fines and Forfeitures	-	29,475	-	29,475
Departmental and Other	-	1,589,500	-	1,589,500
Investment Income	-	10,000	-	10,000
Total Revenues	-	72,299,644	-	72,299,644
<b>EXPENDITURES</b>				
Current:				
General Government	430,709	2,840,465	455,000	3,726,174
Public Safety	158,878	9,654,155	170,000	9,983,033
Education	382,777	32,359,816	-	32,742,593
Public Works	615,211	2,589,156	-	3,204,367
Health and Human Services	5,080	738,892	-	743,972
Culture and Recreation	89,148	1,368,446	-	1,457,594
Pension Benefits	-	6,880,229	-	6,880,229
Employee Benefits	-	10,623,632	-	10,623,632
State and County Charges	-	2,641,635	-	2,641,635
Debt Service:				
Principal	-	2,225,000	-	2,225,000
Interest	-	682,572	-	682,572
Total Expenditures	1,681,803	72,603,998	625,000	74,910,801
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	(1,681,803)	(304,354)	(625,000)	(2,611,157)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	1,039,766	350,000	1,389,766
Transfers Out	-	(905,210)	-	(905,210)
Total Other Financing Sources (Uses)	-	134,556	350,000	484,556
<b>NET CHANGE IN FUND BALANCE</b>				
	(1,681,803)	(169,798)	(275,000)	(2,126,601)
Fund Balance - Beginning of Year	8,703,286	8,703,286	8,703,286	8,703,286
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 7,021,483</b>	<b>\$ 8,533,488</b>	<b>\$ 8,428,286</b>	<b>\$ 6,576,685</b>

See accompanying notes to required supplementary information.

**TOWN OF STONEHAM, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NON-GAAP BUDGETARY BASIS – BUDGET AND ACTUAL (CONTINUED)  
YEAR ENDED JUNE 30, 2022**

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$ 55,620,975	\$ -	\$ 55,620,975	\$ 121,408
3,563,749	-	3,563,749	318,724
432,073	-	432,073	126,073
104,445	-	104,445	104,445
108,563	-	108,563	53,563
11,551,397	-	11,551,397	926,320
227,462	-	227,462	49,462
708,674	-	708,674	(53,326)
59,518	-	59,518	30,043
2,181,331	-	2,181,331	591,831
25,605	-	25,605	15,605
<u>74,583,792</u>	<u>-</u>	<u>74,583,792</u>	<u>2,284,148</u>
3,077,937	358,168	3,436,105	290,069
9,767,567	70,266	9,837,833	145,200
32,657,020	19,909	32,676,929	65,664
2,870,414	255,702	3,126,116	78,251
679,954	-	679,954	64,018
1,370,784	81,735	1,452,519	5,075
6,880,229	-	6,880,229	-
10,480,677	-	10,480,677	142,955
3,241,456	-	3,241,456	(599,821)
2,200,000	-	2,200,000	25,000
681,813	-	681,813	759
<u>73,907,851</u>	<u>785,780</u>	<u>74,693,631</u>	<u>217,170</u>
<u>675,941</u>	<u>(785,780)</u>	<u>(109,839)</u>	<u>2,501,318</u>
1,389,766	-	1,389,766	-
(905,210)	-	(905,210)	-
<u>484,556</u>	<u>-</u>	<u>484,556</u>	<u>-</u>
1,160,497	(785,780)	374,717	2,501,318
<u>8,703,286</u>	<u>-</u>	<u>8,703,286</u>	<u>-</u>
<u>\$ 9,863,783</u>	<u>\$ (785,780)</u>	<u>\$ 9,078,003</u>	<u>\$ 2,501,318</u>

**TOWN OF STONEHAM, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2022**

**OTHER POSTEMPLOYMENT BENEFITS SCHEDULE**

**SCHEDULE OF CHANGES IN THE TOWN'S TOTAL OPEB LIABILITY AND  
RELATED RATIOS (PLAN) (1)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Total OPEB Liability</u>					
Service Cost	\$ 6,658,781	\$ 6,372,652	\$ 5,308,599	\$ 4,713,064	\$ 4,851,472
Interest	3,485,026	3,403,358	5,301,865	5,439,349	4,923,108
Differences Between Expected and Actual Experience	(19,790,651)	-	(28,573,012)	(3,292,643)	-
Changes of Assumptions	(25,552,639)	1,263,286	21,224,711	7,642,632	(2,346,390)
Changes in Benefit Terms	-	-	2,295,854	-	-
Benefit Payments	<u>(3,803,077)</u>	<u>(4,156,353)</u>	<u>(4,055,296)</u>	<u>(4,280,152)</u>	<u>(4,230,108)</u>
Net Change in Total OPEB Liability	(39,002,560)	6,882,943	1,502,721	10,222,250	3,198,082
Total OPEB Liability - Beginning	<u>156,586,574</u>	<u>149,703,631</u>	<u>148,200,910</u>	<u>137,978,660</u>	<u>134,780,578</u>
Total OPEB Liability - Ending	<u>\$ 117,584,014</u>	<u>\$ 156,586,574</u>	<u>\$ 149,703,631</u>	<u>\$ 148,200,910</u>	<u>\$ 137,978,660</u>

(1) Data is being accumulated annually to present 10 years of the reported information.

**TOWN OF STONEHAM, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2022**

**PENSION PLAN SCHEDULES**

**SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY AND  
RELATED RATIOS (SYSTEM) (1)**

	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
<u>Total Pension Liability</u>								
Service Cost	\$ 2,603,881	\$ 2,336,615	\$ 2,235,992	\$ 2,139,709	\$ 2,047,568	\$ 1,959,395	\$ 1,892,280	\$ 1,810,794
Interest	9,382,079	8,944,825	8,759,422	8,742,692	8,513,362	8,358,786	8,240,349	8,016,557
Changes in Benefit Terms	-	-	-	-	-	(2,284,697)	-	-
Change in Assumptions	-	(1,688,687)	-	5,107,777	-	1,365,326	-	-
Difference Between Expected and Actual Experience	-	5,017,867	-	(110,760)	-	-	-	-
Benefit Payments, Including Refunds of Member Contributions and Net of Transfers	(8,936,057)	(8,757,563)	(8,319,945)	(7,610,099)	(7,777,887)	(7,206,972)	(6,760,615)	(7,373,458)
Net Change in Total Pension Liability	3,049,903	5,853,057	2,675,469	8,269,319	2,783,043	2,191,838	3,372,014	2,453,893
Total Pension Liability - Beginning	131,272,118	125,419,061	122,743,592	114,474,273	111,691,230	109,499,392	106,127,378	103,673,485
Total Pension Liability - Ending (a)	<u>\$ 134,322,021</u>	<u>\$ 131,272,118</u>	<u>\$ 125,419,061</u>	<u>\$ 122,743,592</u>	<u>\$ 114,474,273</u>	<u>\$ 111,691,230</u>	<u>\$ 109,499,392</u>	<u>\$ 106,127,378</u>
<u>Plan Fiduciary Net Position</u>								
Contributions - Employer	\$ 7,041,479	\$ 6,465,692	\$ 6,805,992	\$ 6,578,380	\$ 6,099,564	\$ 5,690,889	\$ 5,276,670	\$ 4,892,601
Contributions - Member	1,721,248	1,677,755	1,626,284	1,497,813	1,469,429	1,376,935	1,323,924	1,394,426
Net Investment Income	17,867,753	7,304,415	15,275,904	(4,634,357)	13,113,308	6,476,051	427,356	5,239,667
Benefit Payments, Including Refunds of Member Contributions and Net of Transfers (to)/from Other Systems	(8,936,057)	(8,757,562)	(8,319,945)	(7,610,100)	(7,777,887)	(7,206,972)	(6,760,615)	(7,373,458)
Administrative Expense	(265,180)	(258,931)	(280,429)	(261,640)	(250,143)	(282,419)	(239,647)	(229,368)
Net Change in Plan Fiduciary Net Position	17,429,243	6,431,369	15,107,806	(4,429,904)	12,654,271	6,054,484	27,688	3,923,868
Plan Fiduciary Net Position - Beginning	109,661,278	103,229,909	88,122,103	92,552,007	79,897,736	73,843,252	73,815,564	69,891,696
Plan Fiduciary Net Position - Ending (b)	<u>\$ 127,090,521</u>	<u>\$ 109,661,278</u>	<u>\$ 103,229,909</u>	<u>\$ 88,122,103</u>	<u>\$ 92,552,007</u>	<u>\$ 79,897,736</u>	<u>\$ 73,843,252</u>	<u>\$ 73,815,564</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 7,231,500</u>	<u>\$ 21,610,840</u>	<u>\$ 22,189,152</u>	<u>\$ 34,621,489</u>	<u>\$ 21,922,266</u>	<u>\$ 31,793,494</u>	<u>\$ 35,656,140</u>	<u>\$ 32,311,814</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.62%	83.54%	82.31%	71.79%	80.85%	71.53%	67.44%	69.55%
Covered Payroll	\$ 17,924,392	\$ 17,055,524	\$ 16,149,414	\$ 15,393,845	\$ 15,158,456	\$ 14,457,252	\$ 13,761,993	\$ 13,086,805
Net Pension Liability as a Percentage of Covered Payroll	40.3%	126.7%	137.4%	224.9%	144.6%	219.9%	259.1%	246.9%

(1) Data is being accumulated annually to present 10 years of the reported information.

**TOWN OF STONEHAM, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2022**

**PENSION PLAN SCHEDULES**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS (SYSTEM) (1)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially Determined Contribution	\$ 7,041,479	\$ 6,465,692	\$ 6,805,992	\$ 6,578,380
Contributions in Relation to the Actuarially Determined Contribution	<u>(7,041,479)</u>	<u>(6,465,692)</u>	<u>(6,805,992)</u>	<u>(6,578,380)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 17,924,392	\$ 17,055,524	\$ 16,149,414	\$ 15,393,845
Contributions as a Percentage of Covered Payroll	39.28%	37.91%	42.14%	42.73%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially Determined Contribution	\$ 6,099,564	\$ 5,690,889	\$ 5,276,670	\$ 4,892,601
Contributions in Relation to the Actuarially Determined Contribution	<u>(6,099,564)</u>	<u>(5,690,889)</u>	<u>(5,276,670)</u>	<u>(4,892,601)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 15,158,456	\$ 14,457,252	\$ 13,761,993	\$ 13,086,805
Contributions as a Percentage of Covered Payroll	40.24%	39.36%	38.34%	37.39%

(1) Data is being accumulated annually to present 10 years of the reported information.

**SCHEDULE OF INVESTMENT RETURNS (SYSTEM) (1)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	16.31%	7.10%	17.29%	-4.97%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	16.28%	8.92%	0.50%	7.56%

(1) Data is being accumulated annually to present 10 years of the reported information.

**TOWN OF STONEHAM, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2022**

**PENSION PLAN SCHEDULES**

**SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (1)(2)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Town's Proportion of the Net Pension Liability	97.71%	97.03%	97.14%	97.44%
Town's Proportionate Share of the Net Pension Liability	\$ 7,065,898	\$ 20,968,997	\$ 21,541,229	\$ 33,717,745
Town's Covered Payroll	\$ 17,560,701	\$ 16,711,031	\$ 15,714,808	\$ 14,979,862
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	40.24%	125.48%	137.08%	225.09%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.62%	83.54%	82.31%	71.88%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's Proportion of the Net Pension Liability	97.38%	97.29%	97.26%	97.87%
Town's Proportionate Share of the Net Pension Liability	\$ 21,354,750	\$ 30,932,526	\$ 34,690,539	\$ 31,622,155
Town's Covered Payroll	\$ 14,759,994	\$ 14,457,252	\$ 13,761,993	\$ 13,086,805
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	144.68%	213.96%	252.07%	241.63%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.85%	71.53%	67.44%	69.55%

- (1) Data is being accumulated annually to present 10 years of the reported information.  
(2) The amounts presented were determined as of December 31 of the applicable fiscal year.

**SCHEDULE OF TOWN'S CONTRIBUTIONS (1)(2)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Actuarially Required Contribution	\$ 6,880,229	\$ 6,273,661	\$ 6,611,111	\$ 6,409,652
Contributions in Relation to the Actuarially Required Contribution	<u>(6,880,229)</u>	<u>(6,273,661)</u>	<u>(6,611,111)</u>	<u>(6,409,652)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's Covered Payroll	\$ 17,560,701	\$ 16,711,031	\$ 15,714,808	\$ 14,979,862
Contributions as a Percentage of Covered Payroll	39.18%	37.54%	42.07%	42.79%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Required Contribution	\$ 5,943,258	\$ 5,538,241	\$ 5,135,261	\$ 4,788,848
Contributions in Relation to the Actuarially Required Contribution	<u>(5,943,258)</u>	<u>(5,538,241)</u>	<u>(5,135,261)</u>	<u>(4,788,848)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's Covered Payroll	\$ 14,759,994	\$ 14,457,252	\$ 13,401,725	\$ 13,086,805
Contributions as a Percentage of Covered Payroll	40.27%	38.31%	38.32%	36.59%

- (1) Data is being accumulated annually to present 10 years of the reported information.  
(2) The amounts presented were determined as of December 31 of the applicable fiscal year.

**TOWN OF STONEHAM, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2022**

**PENSION PLAN SCHEDULES**

**SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (MTRS)  
(1)(2)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Town's Share of Net Pension Liability	\$ -	\$ -	\$ -	\$ -
Commonwealth's Share of the Town's Net Pension Liability	<u>59,103,763</u>	<u>74,151,481</u>	<u>65,321,980</u>	<u>60,912,021</u>
<b>Total</b>	<b><u>\$ 59,103,763</u></b>	<b><u>\$ 74,151,481</u></b>	<b><u>\$ 65,321,980</u></b>	<b><u>\$ 60,912,021</u></b>
Town's Expense and Revenue Recognized for the Commonwealth's Support	\$ 4,742,831	\$ 9,158,770	\$ 7,921,424	\$ 6,172,551
Plan Fiduciary Net Position as a Percentage of Total Net Pension Liability	62.03%	50.67%	53.95%	54.84%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's Share of Net Pension Liability	\$ -	\$ -	\$ -	\$ -
Commonwealth's Share of the Town's Net Pension Liability	<u>58,054,777</u>	<u>56,983,323</u>	<u>52,804,623</u>	<u>41,542,919</u>
<b>Total</b>	<b><u>\$ 58,054,777</u></b>	<b><u>\$ 56,983,323</u></b>	<b><u>\$ 52,804,623</u></b>	<b><u>\$ 41,542,919</u></b>
Town's Expense and Revenue Recognized for the Commonwealth's Support	\$ 6,059,346	\$ 5,812,673	\$ 4,282,925	\$ 2,886,186
Plan Fiduciary Net Position as a Percentage of Total Net Pension Liability	54.25%	52.73%	55.38%	61.64%

- (1) Data is being accumulated annually to present 10 years of the reported information.  
(2) The amounts presented were determined as of June 30 of the previous year.

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2022**

**NOTE A BUDGETARY-GAAP RECONCILIATION**

For budgetary financial reporting purposes, the Uniform Massachusetts Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2022, is presented below:

	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balance
Budgetary Basis as Reported on the Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	\$ 74,583,792	\$ 74,693,631	\$ 484,556	\$ 9,078,003
<u>Adjustments and Reclassifications</u>				
To Record 60-Day Receipts	(203,761)	-	-	177,255
To Record Tax Refunds Payable	(192,049)	-	-	(356,961)
To Record MTRS On-Behalf Payments	4,742,831	4,742,831	-	-
Stabilization Fund Activities	(62,722)	-	(22,827)	4,458,361
Capital Stabilization Fund Activities	(10,111)	-	203,037	634,160
To Record Encumbrances and Continuing Appropriations	-	(785,780)	-	785,780
Activities Restricted for OPEB	(54,928)	-	100,000	357,512
Rounding	-	2	-	-
	<u>\$ 78,803,052</u>	<u>\$ 78,650,684</u>	<u>\$ 764,766</u>	<u>\$ 15,134,110</u>
GAAP Basis as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	<u>\$ 78,803,052</u>	<u>\$ 78,650,684</u>	<u>\$ 764,766</u>	<u>\$ 15,134,110</u>

**NOTE B PENSION PLAN**

*Changes of Assumptions (2020):* Mortality tables were updated to RP-2014 table adjusted to 2006, projected generationally using MP-2019.

**NOTE C POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

*Changes of Assumptions (2021):* Discount rate was adjusted from 2.21% to 2.16%.

*Changes of Assumptions (2022):* Discount rate was adjusted from 2.16% to 3.54%.