

TOWN OF STONEHAM, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2023



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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 (Town), as of and for the year ended June 30, 2023, 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, 2023 (except for the Stoneham Contributory Retirement System, which is as of and for the fiscal year ended December 31, 2022), 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 the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and general fund budgetary comparison and certain pension and other postemployment benefits information 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 April 24, 2024 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
April 24, 2024

**TOWN OF STONEHAM, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

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, 2023.

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 \$28,292,027 (net position).
- The Town's total net position increased \$30,114,992.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$15,478,295, or 17.5%, 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 postemployment 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, 2023**

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, 2023**

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 26-64 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, 2023**

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 \$28,292,027 at the close of the fiscal year and is summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets						
Current Assets	\$ 152,086,523	\$ 163,119,277	\$ 11,046,267	\$ 11,245,459	\$ 163,132,790	\$ 174,364,736
Noncurrent Assets (Excluding Capital Assets)	6,341,862	6,528,313	-	-	6,341,862	6,528,313
Capital Assets (Net)	125,087,955	87,042,728	16,815,998	15,239,074	141,903,953	102,281,802
Total Assets	283,516,340	256,690,318	27,862,265	26,484,533	311,378,605	283,174,851
Deferred Outflows of Resources	15,818,371	13,451,696	272,920	246,982	16,091,291	13,698,678
Liabilities						
Current Liabilities (Excluding Debt)	17,866,007	10,583,390	461,327	116,953	18,327,334	10,700,343
Noncurrent Liabilities (Excluding Debt)	134,553,195	119,308,769	2,343,570	2,206,220	136,896,765	121,514,989
Current Debt	5,797,185	5,238,239	473,096	503,735	6,270,281	5,741,974
Noncurrent Debt	144,817,403	149,032,623	2,458,950	2,932,046	147,276,353	151,964,669
Total Liabilities	303,033,790	284,163,021	5,736,943	5,758,954	308,770,733	289,921,975
Deferred Inflows of Resources	46,302,274	64,303,934	688,916	1,054,639	46,991,190	65,358,573
Net Position						
Net Investment in Capital Assets	81,862,012	64,236,477	15,272,689	13,690,879	97,134,701	77,927,356
Restricted	9,312,372	7,833,226	-	-	9,312,372	7,833,226
Unrestricted	(141,175,737)	(150,394,644)	6,436,637	6,227,043	(134,739,100)	(144,167,601)
Total Net Position	\$ (50,001,353)	\$ (78,324,941)	\$ 21,709,326	\$ 19,917,922	\$ (28,292,027)	\$ (58,407,019)

The largest portion of the Town's net position, \$97,134,701, 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, \$9,312,372, represents resources that are subject to external restrictions on how they may be used. The remaining balance represents a net deficit of \$134,739,100.

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 \$6,436,637 that may be used to support business-type activities.

**TOWN OF STONEHAM, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

Changes in Net Position

For the fiscal year ended June 30, 2023, the Town's total net position increased \$30,114,992, compared to an increase of \$14,010,725 in the prior fiscal year. These amounts are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 8,249,805	\$ 8,436,162	\$ 12,473,454	\$ 12,036,683	\$ 20,723,259	\$ 20,472,845
Operating Grants and Contributions	18,959,261	17,313,172	521,345	16,228	19,480,606	17,329,400
Capital Grants and Contributions	21,798,613	3,764,101	503,306	727,500	22,301,919	4,491,601
<i>General Revenues:</i>						
Real Estate and Personal Property Taxes	63,814,671	55,393,922	-	-	63,814,671	55,393,922
Motor Vehicle and Other Excise Taxes	3,774,859	3,592,900	-	-	3,774,859	3,592,900
Meals Tax	444,902	432,073	-	-	444,902	432,073
Penalties and Interest on Taxes	156,129	237,614	-	-	156,129	237,614
Payments in Lieu of Taxes	66,059	108,563	-	-	66,059	108,563
to Specific Programs	4,740,352	4,861,519	-	-	4,740,352	4,861,519
Unrestricted Investment Income	2,228,140	(120,844)	-	-	2,228,140	(120,844)
Total Revenues	124,232,791	94,019,182	13,498,105	12,780,411	137,730,896	106,799,593
Expenses						
General Government	5,379,080	4,563,880	-	-	5,379,080	4,563,880
Public Safety	17,546,235	16,409,277	-	-	17,546,235	16,409,277
Education	57,322,064	51,702,949	-	-	57,322,064	51,702,949
Public Works	6,614,751	6,344,903	-	-	6,614,751	6,344,903
Health and Human Services	1,629,430	987,705	-	-	1,629,430	987,705
Culture and Recreation	2,341,520	2,184,574	-	-	2,341,520	2,184,574
Debt Service - Interest	6,176,929	30,626	-	-	6,176,929	30,626
Sewer	-	-	6,264,716	6,152,525	6,264,716	6,152,525
Water	-	-	4,341,179	4,412,429	4,341,179	4,412,429
Total Expenses	97,010,009	82,223,914	10,605,895	10,564,954	107,615,904	92,788,868
Change in Net Position Before Transfers	27,222,782	11,795,268	2,892,210	2,215,457	30,114,992	14,010,725
Transfers, Net	1,100,806	1,039,766	(1,100,806)	(1,039,766)	-	-
Change in Net Position	28,323,588	12,835,034	1,791,404	1,175,691	30,114,992	14,010,725
Net Position - Beginning of Year	(78,324,941)	(91,159,975)	19,917,922	18,742,231	(58,407,019)	(72,417,744)
Net Position - End of Year	<u>\$ (50,001,353)</u>	<u>\$ (78,324,941)</u>	<u>\$ 21,709,326</u>	<u>\$ 19,917,922</u>	<u>\$ (28,292,027)</u>	<u>\$ (58,407,019)</u>

Governmental activities increased the Town's net position by \$28,323,588. In the prior year, governmental activities increased the Town's net position by \$12,835,034. The key element of this change was an approximate \$18,000,000 increase in capital grants and contributions related to the high school construction project and ARPA funding.

Business-type activities increased the Town's net position by \$1,791,404. In the prior year, business-type activities increased the Town's net position by \$1,175,691. The key elements of this change related to a capital contribution of approximately \$503,000 and increases in interest earnings of approximately \$500,000.

**TOWN OF STONEHAM, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

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 \$134,246,812, a decrease of \$20,510,191 in comparison with the prior year. \$14,559,434 represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable - \$1,170,678
- Restricted - \$116,558,152
- Committed - \$1,741,914
- Assigned - \$216,634

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 \$15,478,295, while total fund balance was \$17,969,341. 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 17.5% of total general fund expenditures and transfers out, while total fund balance represents 20.3% of that same amount.

The fund balance of the Town's general fund increased \$2,835,231 during fiscal year 2023. The Town recognized a positive budget to actual variance (excluding encumbrances and continuing appropriations) totaling approximately \$3,416,000 and used approximately \$2,673,000 of reserves to fund the fiscal year 2023 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) decreased by \$23,597,650 during fiscal year 2023. The fund recognized \$16,836,671 of intergovernmental revenues and expenditures totaled \$40,434,321.

The fund balance of the State and Local Fiscal Recovery fund (special revenue) remained unchanged from the prior fiscal year. The fund recognized \$1,772,657 of intergovernmental revenues and expenditures totaled \$1,772,657. The fund received \$5,353,579 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.

Unrestricted net position of the sewer and water enterprise funds at the end of the year amounted to \$2,937,841 and \$3,498,796, respectively. The sewer enterprise fund had an increase in net position for the year of \$402,185 and the water enterprise fund had an increase in net position for the year of \$1,389,219. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

**TOWN OF STONEHAM, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

General Fund Budgetary Highlights

The original General Fund budgeted expenditures (including transfers out) totaled \$84,114,423. During the year, supplemental appropriations totaling \$1,046,500 were authorized. The following table summarizes the increase:

<u>Purpose of Increase/Decrease</u>	<u>Amount</u>	<u>Funding Source</u>
Capital projects - Facilities	\$ 544,000	Unassigned Fund Balance
Capital projects - School	100,000	Unassigned Fund Balance
Capital projects - Culture&Rec	27,500	Unassigned Fund Balance
Various Town Budget Adjustments	375,000	Stabilization Fund Transfer
Total Net Increase	<u>\$ 1,046,500</u>	

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 \$141,903,953 (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 \$39,622,151.

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

- High School Construction (approximately \$39,637,000)
- Various road and sidewalk improvements (approximately \$884,000)
- Water Improvements (approximately \$503,000)

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>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Land	\$ 6,258,486	\$ 6,258,486	\$ 215,801	\$ 215,801	\$ 6,474,287	\$ 6,474,287
Construction in Progress	47,177,909	6,438,823	1,270,272	-	48,448,181	6,438,823
Land Improvements	350,516	415,255	-	-	350,516	415,255
Buildings and Improvements	57,278,104	59,720,291	616,365	640,401	57,894,469	60,360,692
Machinery, Vehicles and Equipment	2,625,008	2,297,530	5,970	17,908	2,630,978	2,315,438
Infrastructure	11,397,932	11,912,343	14,707,590	14,364,964	26,105,522	26,277,307
Total Capital Assets	<u>\$ 125,087,955</u>	<u>\$ 87,042,728</u>	<u>\$ 16,815,998</u>	<u>\$ 15,239,074</u>	<u>\$ 141,903,953</u>	<u>\$ 102,281,802</u>

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

**TOWN OF STONEHAM, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$141,585,000, which is backed by the full faith and credit of the Town. MWRA notes outstanding totaled \$2,932,046. The Town's outstanding debt is summarized as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
General Obligation Bonds	\$ 141,585,000	\$ 146,220,000	\$ -	\$ -	\$ 141,585,000	\$ 146,220,000
MWRA Notes	-	-	2,932,046	3,435,781	2,932,046	3,435,781
Total Bond and Notes	<u>\$ 141,585,000</u>	<u>\$ 146,220,000</u>	<u>\$ 2,932,046</u>	<u>\$ 3,435,781</u>	<u>\$ 144,517,046</u>	<u>\$ 149,655,781</u>

The Town's total outstanding bonded debt (excluding unamortized premiums) decreased by \$4,635,000, or 3.2%, during the fiscal year. The Town's MWRA notes outstanding decreased by \$503,735, or 14.7%, 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 financial forecast presentation in November of 2022 predicted a deficit for fiscal year 2024 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 fiscal year 2024 budget. The Town Accountant and Town Wide Budget Director presented guidelines to departments for developing their fiscal year 2024 budgets to address these challenges.

While the budget presented 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 budget presented 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 this document.

**TOWN OF STONEHAM, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

Fiscal Year 2024 Budget Highlights

As required by law, this budget is structurally balanced and one time revenues are not utilized to balance. The budget consists of total anticipated expenditures of \$86.25 million. For the second year, debt payments made for the High School Building project are included. It should be noted, that the debt payments for the additional bonding authorization as voted on at the January 2023 special town meeting are not included. The Town will continue to monitor the project cash flow and interest rates to implement a borrowing strategy that will be included in future budget documents.

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 3.64%. The proposed Education operating budget including vocational education is an increase.

An increase in shared costs related to Health Insurance (\$348,887), Northeast Vocational School (\$164,404), aggressive pension schedule (\$194,373), 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 2024. 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 for the first time, additional resources towards Stoneham's entrance into the Stoneham/Wakefield/Melrose Health Region. These additional resources will provide additional leadership, improved inspections, department redundancies and succession planning for a much improved and active public health response in Stoneham. I would like to thank the Board of Health and our neighboring communities for their leadership on this endeavor.

The proposed fiscal year 2024 general fund budget also includes one additional Police Officer position, additional funding for the Council on Aging and Library Staff (removing some staff hours off of their respective state grants), new funding for the Conservation Office, and new resources in Economic Development and Planning to supplement grant funds for a transportation shuttle pilot project. The proposed budget also includes funds to maintain the Town's compliance with the Environmental Protection Agency's Municipal Separate Storm Sewer System (MS4) Permit.

The Town also continues to make investments into aging infrastructure as well as maintaining current assets. This year's General Fund capital recommendation takes much needed steps to address some of our most pressing infrastructure needs. These include \$600,000 for facility improvements including roof restoration at Public Works, \$110,000 towards police vehicles, \$375,000 for street and sidewalk improvements, \$85,000 for a public works vehicle and \$32,500 towards park improvements to supplement a grant funded project at Capen Street. These are positive steps in the right direction and I look forward to additional efforts that protect and preserve our infrastructure.

Additionally, the Capital Committee has recommended that the Water and Sewer funds be utilized for the following: \$65,000 towards the design of a sewer improvement project in the Park Street area, \$60,000 towards lead line removal in response to recently changed EPA regulations, and \$85,000 towards a utility truck.

**TOWN OF STONEHAM, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in 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, 2023**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 7,035,115	\$ 3,020,265	\$ 10,055,380
Restricted Cash and Cash Equivalents	114,058,163	1,388,737	115,446,900
Investments	11,124,108	1,998,392	13,122,500
Restricted Investments	8,893,574	-	8,893,574
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate and Personal Property Taxes	1,135,067	-	1,135,067
Tax, Trash and Utility Liens	196,795	53,914	250,709
Motor Vehicle and Other Excise Taxes	408,279	-	408,279
User Charges	-	4,584,959	4,584,959
Departmental and Other	139,450	-	139,450
Opioid Settlement	12,816	-	12,816
Intergovernmental	8,632,274	-	8,632,274
Leases	450,882	-	450,882
Total Current Assets	<u>152,086,523</u>	<u>11,046,267</u>	<u>163,132,790</u>
Noncurrent Assets:			
Receivables, Net of Allowance for Uncollectible Amounts:			
Opioid Settlement	264,434	-	264,434
Leases	6,077,428	-	6,077,428
Capital Assets Not being Depreciated	53,436,395	1,486,073	54,922,468
Capital Assets, Net of Accumulated Depreciation	<u>71,651,560</u>	<u>15,329,925</u>	<u>86,981,485</u>
Total Noncurrent Assets	<u>131,429,817</u>	<u>16,815,998</u>	<u>148,245,815</u>
Total Assets	<u>283,516,340</u>	<u>27,862,265</u>	<u>311,378,605</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to OPEB	4,203,283	72,519	4,275,802
Related to Pension	<u>11,615,088</u>	<u>200,401</u>	<u>11,815,489</u>
Total Deferred Outflows of Resources	15,818,371	272,920	16,091,291
LIABILITIES			
Current Liabilities:			
Warrants Payable	5,592,140	376,465	5,968,605
Accrued Payroll	432,226	15,624	447,850
Tax Refunds Payable	91,788	-	91,788
Other Liabilities	621,265	-	621,265
Unearned Revenue	5,353,579	-	5,353,579
Accrued Interest	1,904,201	-	1,904,201
Compensated Absences	132,235	4,734	136,969
Short Term Notes Payable	1,045,700	-	1,045,700
Total OPEB Liability	3,738,573	64,504	3,803,077
Bonds and Notes Payable	<u>4,751,485</u>	<u>473,096</u>	<u>5,224,581</u>
Total Current Liabilities	23,663,192	934,423	24,597,615
Noncurrent Liabilities:			
Compensated Absences	1,190,116	42,596	1,232,712
Net Pension Liability	18,554,715	320,133	18,874,848
Total OPEB Liability	114,808,364	1,980,841	116,789,205
Bonds and Notes Payable	<u>144,817,403</u>	<u>2,458,950</u>	<u>147,276,353</u>
Total Noncurrent Liabilities	<u>279,370,598</u>	<u>4,802,520</u>	<u>284,173,118</u>
Total Liabilities	<u>303,033,790</u>	<u>5,736,943</u>	<u>308,770,733</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes Collected in Advance	40,258	-	40,258
Related to Leases	6,332,908	-	6,332,908
Related to OPEB	34,768,043	599,869	35,367,912
Related to Pension	<u>5,161,065</u>	<u>89,047</u>	<u>5,250,112</u>
Total Deferred Inflows of Resources	46,302,274	688,916	46,991,190
NET POSITION (DEFICIT)			
Net Investment in Capital Assets	81,862,012	15,272,689	97,134,701
Restricted for:			
Other Postemployment Benefits	494,660	-	494,660
Permanent Funds:			
Expendable	505,875	-	505,875
Nonexpendable	1,170,678	-	1,170,678
Other Specific Purposes	7,141,159	-	7,141,159
Unrestricted	<u>(141,175,737)</u>	<u>6,436,637</u>	<u>(134,739,100)</u>
Total Net Position (Deficit)	<u>\$ (50,001,353)</u>	<u>\$ 21,709,326</u>	<u>\$ (28,292,027)</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF STONEHAM, MASSACHUSETTS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General Government	\$ 5,379,080	\$ 1,774,741	\$ 846,530	\$ 272,435	\$ (2,485,374)
Public Safety	17,546,235	1,960,999	836,542	138,724	(14,609,970)
Education	57,322,064	1,740,171	16,373,637	19,889,579	(19,318,677)
Public Works	6,614,751	1,862,345	630,362	1,497,875	(2,624,169)
Health and Human Services	1,629,430	65,071	191,312	-	(1,373,047)
Culture and Recreation	2,341,520	846,478	62,985	-	(1,432,057)
Debt Service-Interest	6,176,929	-	17,893	-	(6,159,036)
Total Governmental Activities	97,010,009	8,249,805	18,959,261	21,798,613	(48,002,330)
Business-Type Activities:					
Sewer	6,264,716	6,988,171	265,814	-	989,269
Water	4,341,179	5,485,283	255,531	503,306	1,902,941
Total Business-Type Activities	10,605,895	12,473,454	521,345	503,306	2,892,210
Total Primary Government	<u>\$ 107,615,904</u>	<u>\$ 20,723,259</u>	<u>\$ 19,480,606</u>	<u>\$ 22,301,919</u>	<u>\$ (45,110,120)</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF STONEHAM, MASSACHUSETTS
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2023**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
CHANGES IN NET POSITION			
Net (Expense) Revenue (From Previous Page)	\$ (48,002,330)	\$ 2,892,210	\$ (45,110,120)
General Revenues:			
Real Estate and Personal Property Taxes	63,814,671	-	63,814,671
Motor Vehicle and Other Excise Taxes	3,774,859	-	3,774,859
Meals Tax	444,902	-	444,902
Penalties and Interest on Taxes	156,129	-	156,129
Payments in Lieu of Taxes	66,059	-	66,059
Grants and Contributions Not Restricted to Specific Programs	4,740,352	-	4,740,352
Unrestricted Investment Income	2,228,140	-	2,228,140
Transfers, Net	1,100,806	(1,100,806)	-
Total General Revenues and Transfers	<u>76,325,918</u>	<u>(1,100,806)</u>	<u>75,225,112</u>
CHANGE IN NET POSITION	28,323,588	1,791,404	30,114,992
Net Position - Beginning of Year	<u>(78,324,941)</u>	<u>19,917,922</u>	<u>(58,407,019)</u>
NET POSITION - END OF YEAR	<u><u>\$ (50,001,353)</u></u>	<u><u>\$ 21,709,326</u></u>	<u><u>\$ (28,292,027)</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF STONEHAM, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2023**

ASSETS	General	High School Construction	State and Local Fiscal Recovery Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and Cash Equivalents	\$ 7,035,115	\$ -	\$ -	\$ -	\$ 7,035,115
Investments	11,124,108	-	-	-	11,124,108
Receivables, Net of Allowance for Uncollectible Amounts:					
Real Estate and Personal Property Taxes	1,135,067	-	-	-	1,135,067
Tax and Trash Liens	183,904	-	-	12,891	196,795
Motor Vehicle and Other Excise Taxes	408,279	-	-	-	408,279
Departmental and Other	-	-	-	139,450	139,450
Intergovernmental	-	8,456,029	-	176,245	8,632,274
Leases	6,528,310	-	-	-	6,528,310
Opioid Settlement	277,250	-	-	-	277,250
Restricted Assets:					
Cash and Cash Equivalents	532,498	107,371,518	5,427,087	727,060	114,058,163
Investments	-	-	-	8,893,574	8,893,574
Total Assets	<u>\$ 27,224,531</u>	<u>\$ 115,827,547</u>	<u>\$ 5,427,087</u>	<u>\$ 9,949,220</u>	<u>\$ 158,428,385</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Warrants Payable	\$ 318,659	\$ 4,875,613	\$ 73,508	\$ 324,360	\$ 5,592,140
Accrued Payroll	383,448	-	-	48,778	432,226
Unearned Revenue	-	-	5,353,579	-	5,353,579
Other Liabilities	371,896	-	-	249,369	621,265
Tax Refunds Payable	91,788	-	-	-	91,788
Short-Term Notes Payable	-	-	-	1,045,700	1,045,700
Total Liabilities	1,165,791	4,875,613	5,427,087	1,668,207	13,136,698
DEFERRED INFLOWS OF RESOURCES					
Taxes Collected in Advance	40,258	-	-	-	40,258
Unavailable Revenue	1,716,233	2,803,134	-	152,342	4,671,709
Related to Leases	6,332,908	-	-	-	6,332,908
Total Deferred Inflows of Resources	8,089,399	2,803,134	-	152,342	11,044,875
FUND BALANCES					
Nonspendable	-	-	-	1,170,678	1,170,678
Restricted	532,498	108,148,800	-	7,876,854	116,558,152
Committed	1,741,914	-	-	-	1,741,914
Assigned	216,634	-	-	-	216,634
Unassigned	15,478,295	-	-	(918,861)	14,559,434
Total Fund Balances	17,969,341	108,148,800	-	8,128,671	134,246,812
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 27,224,531</u>	<u>\$ 115,827,547</u>	<u>\$ 5,427,087</u>	<u>\$ 9,949,220</u>	<u>\$ 158,428,385</u>

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, 2023**

	General	High School Construction	State and Local Fiscal Recovery Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Real Estate and Personal Property Taxes	\$ 63,603,142	\$ -	\$ -	\$ -	\$ 63,603,142
Motor Vehicle and Other Excise Taxes	3,776,463	-	-	-	3,776,463
Meals Tax	444,902	-	-	-	444,902
Tax and Trash Liens	5,428	-	-	74,928	80,356
Payments in Lieu of Taxes	66,059	-	-	-	66,059
Charges for Services	-	-	-	588,949	588,949
Intergovernmental	16,896,863	16,836,671	1,772,657	6,958,034	42,464,225
Penalties and Interest on Taxes	145,899	-	-	10,230	156,129
Licenses and Permits	936,222	-	-	-	936,222
Fines and Forfeitures	60,745	-	-	-	60,745
Departmental and Other	2,006,072	-	-	4,802,148	6,808,220
Contributions	-	-	-	138,699	138,699
Investment Income	2,164,111	-	-	64,029	2,228,140
Total Revenues	90,105,906	16,836,671	1,772,657	12,637,017	121,352,251
EXPENDITURES					
Current:					
General Government	3,150,490	-	272,435	1,126,538	4,549,463
Public Safety	10,379,566	-	138,724	1,905,819	12,424,109
Education	33,705,655	40,434,321	249,774	6,075,167	80,464,917
Public Works	2,770,825	-	1,111,724	2,987,512	6,870,061
Health and Human Services	730,527	-	-	96,030	826,557
Culture and Recreation	1,328,981	-	-	358,185	1,687,166
Pension Benefits	12,218,895	-	-	-	12,218,895
Employee Benefits	11,166,940	-	-	60,538	11,227,478
State and County Charges	3,563,586	-	-	-	3,563,586
Debt Service:					
Principal	4,635,000	-	-	-	4,635,000
Interest	4,496,016	-	-	-	4,496,016
Total Expenditures	88,146,481	40,434,321	1,772,657	12,609,789	142,963,248
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,959,425	(23,597,650)	-	27,228	(21,610,997)
OTHER FINANCING SOURCES (USES)					
Transfers In	1,100,806	-	-	225,000	1,325,806
Transfers Out	(225,000)	-	-	-	(225,000)
Total Other Financing Sources (Uses)	875,806	-	-	225,000	1,100,806
NET CHANGE IN FUND BALANCES	2,835,231	(23,597,650)	-	252,228	(20,510,191)
Fund Balances - Beginning of Year	15,134,110	131,746,450	-	7,876,443	154,757,003
FUND BALANCES - END OF YEAR	\$ 17,969,341	\$ 108,148,800	\$ -	\$ 8,128,671	\$ 134,246,812

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
JUNE 30, 2023**

Total Governmental Fund Balances	\$ 134,246,812
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	125,087,955
Other assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds	4,671,709
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	(1,904,201)
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	(149,568,888)
Compensated Absences	(1,322,351)
Net Pension Liability	(18,554,715)
Total OPEB Liability	(118,546,937)
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.	(30,564,760)
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>6,454,023</u>
Net Position of Governmental Activities	<u><u>\$ (50,001,353)</u></u>

**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, 2023**

Net Change in Fund Balances - Total Governmental Funds	\$ (20,510,191)
<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	41,810,985
Depreciation	(3,765,758)
<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>	
	2,880,541
<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>	
Bond Maturities	4,635,000
Net Amortization of Bond Premiums	66,974
<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>	
	(1,747,887)
<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	(224,958)
Net Pension Liability	(11,616,212)
Total OPEB Liability	(3,082,909)
<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>	
	6,981,631
<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>	
	12,896,372
Changes in Net Position of Governmental Activities	\$ 28,323,588

See accompanying Notes to Basic Financial Statements.

**TOWN OF STONEHAM, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2023**

	Business-Type Activities - Enterprise Funds		
	Sewer Enterprise	Water Enterprise	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,140,394	\$ 1,879,871	\$ 3,020,265
Restricted Cash and Cash Equivalents	1,111,587	277,150	1,388,737
Investments	999,196	999,196	1,998,392
Receivables, Net of Allowance for Uncollectible Amounts:			
User Charges	2,675,219	1,909,740	4,584,959
Utility Liens	32,123	21,791	53,914
Total Current Assets	<u>5,958,519</u>	<u>5,087,748</u>	<u>11,046,267</u>
Noncurrent Assets:			
Capital Assets not being Depreciated	982,767	503,306	1,486,073
Capital Assets, Net of Accumulated Depreciation	<u>6,588,273</u>	<u>8,741,652</u>	<u>15,329,925</u>
Total Noncurrent Assets	<u>7,571,040</u>	<u>9,244,958</u>	<u>16,815,998</u>
Total Assets	<u>13,529,559</u>	<u>14,332,706</u>	<u>27,862,265</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to OPEB	39,020	33,499	72,519
Related to Pension	<u>107,831</u>	<u>92,570</u>	<u>200,401</u>
Total Deferred Outflows of Resources	146,851	126,069	272,920
LIABILITIES			
Current Liabilities:			
Warrants Payable	368,290	8,175	376,465
Accrued Payroll	7,751	7,873	15,624
Compensated Absences	3,641	1,093	4,734
Total OPEB Liability	34,708	29,796	64,504
Long-Term Bonds and Notes Payable	<u>78,950</u>	<u>394,146</u>	<u>473,096</u>
Total Current Liabilities	493,340	441,083	934,423
Noncurrent Liabilities:			
Compensated Absences	32,764	9,832	42,596
Net Pension Liability	172,256	147,877	320,133
Total OPEB Liability	1,065,843	914,998	1,980,841
Long-Term Bonds and Notes Payable	<u>371,150</u>	<u>2,087,800</u>	<u>2,458,950</u>
Total Noncurrent Liabilities	<u>1,642,013</u>	<u>3,160,507</u>	<u>4,802,520</u>
Total Liabilities	<u>2,135,353</u>	<u>3,601,590</u>	<u>5,736,943</u>
DEFERRED INFLOWS OF RESOURCES			
Related to OPEB	322,775	277,094	599,869
Related to Pension	<u>47,914</u>	<u>41,133</u>	<u>89,047</u>
Total Deferred Inflows of Resources	<u>370,689</u>	<u>318,227</u>	<u>688,916</u>
NET POSITION			
Net Investment in Capital Assets	8,232,527	7,040,162	15,272,689
Restricted for:			
Unrestricted	<u>2,937,841</u>	<u>3,498,796</u>	<u>6,436,637</u>
Total Net Position	<u>\$ 11,170,368</u>	<u>\$ 10,538,958</u>	<u>\$ 21,709,326</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, 2023**

	Business-Type Activities - Enterprise Funds		
	Sewer Enterprise	Water Enterprise	Total
OPERATING REVENUES			
Charges for Services	\$ 6,988,171	\$ 5,485,283	\$ 12,473,454
OPERATING EXPENSES			
Cost of Service and Administration	569,609	837,164	1,406,773
MWRA Assessment	5,652,234	3,297,104	8,949,338
Pension and OPEB Benefits Adjustments	(194,828)	(78,736)	(273,564)
Depreciation	237,701	285,647	523,348
Total Operating Expenses	6,264,716	4,341,179	10,605,895
OPERATING INCOME	723,455	1,144,104	1,867,559
NONOPERATING REVENUES			
Investment Income	265,814	255,531	521,345
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	989,269	1,399,635	2,388,904
Capital Contributions	-	503,306	503,306
Transfers Out	(587,084)	(513,722)	(1,100,806)
Total Capital Contributions and Transfers	(587,084)	(10,416)	(597,500)
CHANGE IN NET POSITION	402,185	1,389,219	1,791,404
Net Position - Beginning of Year	10,768,183	9,149,739	19,917,922
NET POSITION - END OF YEAR	<u>\$ 11,170,368</u>	<u>\$ 10,538,958</u>	<u>\$ 21,709,326</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF STONEHAM, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023**

	Business-Type Activities - Enterprise Funds		
	Sewer	Water	Total
	Enterprise	Enterprise	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Users	\$ 6,914,987	\$ 5,595,734	\$ 12,510,721
Payments to Vendors	(5,478,047)	(3,786,564)	(9,264,611)
Payments to Employees	(389,558)	(338,314)	(727,872)
Net Cash Provided by Operating Activities	1,047,382	1,470,856	2,518,238
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers Out	(587,084)	(513,722)	(1,100,806)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital Contributions	-	503,306	503,306
Acquisition and Construction of Capital Assets	(766,966)	(1,333,306)	(2,100,272)
Principal Payments on Bonds and Notes	(78,950)	(424,785)	(503,735)
Net Cash (Used) by Capital and Related Financing Activities	(845,916)	(1,254,785)	(2,100,701)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases/Sales of Investments, Net	(999,196)	(999,196)	(1,998,392)
Investment Income	265,815	255,529	521,344
Net Cash (Used) by Investing Activities	(733,381)	(743,667)	(1,477,048)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,118,999)	(1,041,318)	(2,160,317)
Cash and Cash Equivalents - Beginning of Year (Includes \$1,582,297 and \$305,289 restricted cash and cash equivalents in the Sewer and Water Enterprise Funds, respectively)	3,370,980	3,198,339	6,569,319
CASH AND CASH EQUIVALENTS AT END OF YEAR (Includes \$1,111,587 and \$277,150 restricted cash and cash equivalents in the Sewer and Water Enterprise Funds, respectively)	\$ 2,251,981	\$ 2,157,021	\$ 4,409,002
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
Operating Income	\$ 723,455	\$ 1,144,104	\$ 1,867,559
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Changes in Assets and Liabilities not Requiring Current Cash Flows:			
Depreciation	237,701	285,647	523,348
Net Pension Liability	(23,685)	(13,215)	(36,900)
Total OPEB Liability	(171,143)	(65,521)	(236,664)
Effect of Changes in Operating Assets and Liabilities:			
User Charges	(71,131)	100,047	28,916
Utility Liens	(2,053)	10,404	8,351
Warrants Payable	346,500	6,636	353,136
Accrued Payroll	(524)	1,215	691
Compensated Absences	8,262	1,539	9,801
Total Adjustments	323,927	326,752	650,679
Net Cash Provided by Operating Activities	\$ 1,047,382	\$ 1,470,856	\$ 2,518,238

See accompanying Notes to Basic Financial Statements.

**TOWN OF STONEHAM, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2023**

	Pension Trust Fund (as of December 31, 2022)	Private Purpose Trust Funds	Custodial Funds
ASSETS			
Cash and Cash Equivalents	\$ 9,447	\$ 1,574,404	\$ 68,529
Investments:			
Equity Mutual Funds	44,352,194	-	-
Fixed Income Mutual Funds	16,224,590	-	-
External Investment Pool (PRIT)	55,879,227	-	-
Receivables, Net of Allowance for Uncollectible Amounts:			
Other	8,196	-	-
Total Assets	116,473,654	1,574,404	68,529
LIABILITIES			
Warrants Payable	12,609	1,500	-
FIDUCIARY NET POSITION			
Restricted for:			
Pension Benefits	116,461,045	-	-
Individuals, Organizations, and Other Governments	-	1,572,904	68,529
Total Fiduciary Net Position	\$ 116,461,045	\$ 1,572,904	\$ 68,529

See accompanying Notes to Basic Financial Statements.

**TOWN OF STONEHAM, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2023**

	Pension Trust Fund (as of December 31, 2022)	Private Purpose Trust Funds	Custodial Funds
ADDITIONS			
Contributions:			
Employer	\$ 7,252,723	\$ -	\$ -
Plan Members	1,767,975	-	-
Private Donations	-	102,370	-
Total Contributions	9,020,698	102,370	-
Net Investment Income:			
Net Depreciation in Fair Value of Investments	(13,734,878)	-	-
Interest	4,082,085	48,639	-
Total Investment Income	(9,652,793)	48,639	-
Less: Investment Expense	(800,772)	-	-
Net Investment Income	(10,453,565)	48,639	-
Fees Collected for Other Governments	-	-	65,773
Intergovernmental	78,982	-	-
Total Additions	(1,353,885)	151,009	65,773
DEDUCTIONS			
Administration	305,697	-	-
Retirement Benefits, Including Reimbursements and Refunds	8,969,894	-	-
Scholarships Awarded	-	79,807	-
Fees Remitted to Other Governments	-	-	17,513
Total Deductions	9,275,591	79,807	17,513
CHANGE IN FIDUCIARY NET POSITION	(10,629,476)	71,202	48,260
Fiduciary Net Position - Beginning of Year	127,090,521	1,501,702	20,269
FIDUCIARY NET POSITION - END OF YEAR	<u>\$ 116,461,045</u>	<u>\$ 1,572,904</u>	<u>\$ 68,529</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

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, 2023**

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 2023 assessment totaled \$1,534,237. 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

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 96, Subscription-Based Information Technology Arrangements (GASB 96). GASB 96 establishes that a subscription-based information technology arrangement results in a right to-use subscription asset, and a corresponding subscription liability. The adoption of GASB 96 had no effect on the Town's net position at June 30, 2023, or its changes in net position for the year then ended.

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.

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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, 2023**

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 1st 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 1st, November 1st, February 1st and May 1st 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.

Opioid Settlements

Opioid settlements receivable represents the Town's allocation of national settlement proceeds from pharmaceutical distributors to be received in future years in accordance with the national settlement agreement, as well as the subdivision agreement with the Commonwealth of Massachusetts.

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Accounts Receivable (Continued)

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.

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, 2023, 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.

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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”.

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Interfund Receivables and Payables (Continued)

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.

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 or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Deferred Inflows of Resources (Continued)

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.

Deferred inflows of resources related to leases and taxes received in advance 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).

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Net Position and Fund Balances (Continued)

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.

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 effective interest 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.

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2023**

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 2023 approved budget for the General Fund authorized \$84,114,423 in appropriations. During fiscal year 2023, supplemental appropriations totaling \$1,046,500 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, 2023, the following fund deficits exist in the governmental funds:

Fund	Amount	Funding Source
Various Capital Projects	\$ 615,000	Short-Term Debt
Police Detail	202,054	User Charges and Available Funds
Other Town Funds	54,327	Various Sources
Stoneham HS Wetland	47,480	State Grant
Total Deficits	<u>\$ 918,861</u>	

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

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, 2023, none of Town’s bank balance of \$126,119,145 was uninsured and uncollateralized. The carrying value of Town’s deposits totaled \$118,429,059 at June 30, 2023.

Investments Summary

The Town’s investments at June 30, 2023 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	\$ 15,120,220	\$ 15,120,220	\$ -
U.S. Agencies	3,455,532	3,455,532	-
Money Market Mutual Funds	540,324	540,324	-
Fixed Income Mutual Funds	123,443	123,443	-
Certificates of Deposit	695,270	-	695,270
External Investment Pool (MMDT)	8,175,830	8,175,830	-
Total Debt Securities	28,110,619	\$ 27,415,349	\$ 695,270
<u>Other Investments:</u>			
Equity Securities	1,621,609		
Equity Mutual Funds	1,000,000		
Total Other Investments	2,621,609		
Total Investments	\$ 30,732,228		

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

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, 2023, 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, 2023, 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, 2023, the Town was exposed to concentration of credit risk as follows:

Issuer	Fair Value	Percentage of Total Investments
Federal Home Loan Bank	\$ 2,162,523	7.0%

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, 2023, 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, 2023**

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)
Investments by Fair Value Level:			
U.S. Treasuries	\$ 15,120,220	\$ 15,120,220	\$ -
U.S. Agencies	3,455,532	3,455,532	-
Money Market Mutual Funds	540,324	540,324	-
Certificates of Deposit	695,270	-	695,270
Equity Securities	1,621,609	1,621,609	-
Equity Mutual Funds	1,000,000	1,000,000	-
Fixed Income Mutual Funds	123,443	-	123,443
Total Investments by Fair Value Level	22,556,398	\$ 21,737,685	\$ 818,713
Investments measured at Amortized Cost:			
External Investment Pool (MMDT)	8,175,830		
Total Investments	\$ 30,732,228		

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, 2022, the System was not exposed to custodial credit risk. The carrying value of the System's deposits totaled \$9,447 as of December 31, 2022.

Investment Summary

The System's investments at December 31, 2022 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, 2023**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investment Type	Total Amount	Investment Maturities (in Years) <u>Less</u> Than 1
<u>Debt Securities:</u>		
Fixed Income Mutual Funds	\$ 16,224,590	\$ 16,224,590
Total Debt Securities	<u>16,224,590</u>	<u>\$ 16,224,590</u>
<u>Other Investments:</u>		
Equity Mutual Funds	44,352,194	
PRIT Investments	<u>55,879,227</u>	
Total Other Investments	<u>100,231,421</u>	
Total Investments	<u>\$ 116,456,011</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, 2022, the System's investments in PRIT totaling \$55,879,226 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, 2022, the System's other investments totaling \$60,576,784 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, 2022, 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, 2022, 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, 2022, the System was not exposed to foreign currency risk.

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

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)
Investments by Fair Value Level:				
Equity Mutual Funds	\$ 44,352,194	\$ 44,352,194	\$ -	\$ -
Fixed Income Mutual Funds	16,224,590	16,224,590	-	-
Total Investments by Fair Value Level	60,576,784	<u>\$ 60,576,784</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at the NAV:				
External Investment Pool (PRIT)	55,879,227			
Total Investments	<u>\$ 116,456,011</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, 2023, receivables for the governmental funds are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Real Estate and Personal Property Taxes	\$ 1,135,067	\$ -	\$ 1,135,067
Tax and Trash Liens	196,795	-	196,795
Motor Vehicle and Other Excise Taxes	408,279	-	408,279
Departmental and Other	139,450	-	139,450
Opioid Settlement	277,250	-	277,250
Intergovernmental	8,632,274	-	8,632,274
Leases	6,528,310	-	6,528,310
Total	<u>\$ 17,317,425</u>	<u>\$ -</u>	<u>\$ 17,317,425</u>

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 4 ACCOUNTS RECEIVABLE (CONTINUED)

At June 30, 2023, receivables for the enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Sewer	\$ 2,675,219	\$ -	\$ 2,675,219
Water	1,909,740	-	1,909,740
Utility Liens	53,914	-	53,914
Total	<u>\$ 4,638,873</u>	<u>\$ -</u>	<u>\$ 4,638,873</u>

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 \$20,310,588 as of June 30, 2023, and has recorded a receivable of \$8,456,029 as of June 30, 2023.

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, 2023, the Town received variable payments as required by lease agreements totaling \$595,849.

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

	Governmental Activities		
	Principal	Interest	Total
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	510,012	21,652	531,664
Total minimum lease receipts	<u>\$ 6,528,310</u>	<u>\$ 2,383,271</u>	<u>\$ 8,911,581</u>

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 6,258,486	\$ -	\$ -	\$ 6,258,486
Construction in Progress	6,438,823	40,739,086	-	47,177,909
Total Capital Assets Not Being Depreciated	12,697,309	40,739,086	-	53,436,395
<u>Capital Assets Being Depreciated:</u>				
Land Improvements	788,383	-	-	788,383
Buildings	112,499,539	68,977	-	112,568,516
Machinery, Vehicles and Equipment	8,165,601	902,922	-	9,068,523
Infrastructure	21,484,478	100,000	-	21,584,478
Total Capital Assets Being Depreciated	142,938,001	1,071,899	-	144,009,900
<u>Less Accumulated Depreciation for:</u>				
Land Improvements	(373,128)	(64,739)	-	(437,867)
Buildings	(52,779,248)	(2,511,164)	-	(55,290,412)
Machinery, Vehicles and Equipment	(5,868,071)	(575,444)	-	(6,443,515)
Infrastructure	(9,572,135)	(614,411)	-	(10,186,546)
Total Accumulated Depreciation	(68,592,582)	(3,765,758)	-	(72,358,340)
Total Capital Assets Being Depreciated, Net	74,345,419	(2,693,859)	-	71,651,560
Total Governmental Activities Capital Assets, Net	\$ 87,042,728	\$ 38,045,227	\$ -	\$ 125,087,955
	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activity- Sewer Enterprise:				
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 215,801	\$ -	\$ -	\$ 215,801
Construction in Progress	-	766,966	-	766,966
Total Capital Assets Not Being Depreciated	215,801	766,966	-	982,767
<u>Capital Assets Being Depreciated:</u>				
Buildings and Improvements	1,600,441	-	-	1,600,441
Machinery, Vehicles and Equipment	293,190	-	-	293,190
Infrastructure	8,034,284	-	-	8,034,284
Total Capital Assets Being Depreciated	9,927,915	-	-	9,927,915
<u>Less Accumulated Depreciation for:</u>				
Buildings and Improvements	(960,040)	(24,036)	-	(984,076)
Machinery, Vehicles and Equipment	(275,282)	(11,938)	-	(287,220)
Infrastructure	(1,866,619)	(201,727)	-	(2,068,346)
Total Accumulated Depreciation	(3,101,941)	(237,701)	-	(3,339,642)
Total Capital Assets Being Depreciated, Net	6,825,974	(237,701)	-	6,588,273
Total Sewer Enterprise Capital Assets, Net	\$ 7,041,775	\$ 529,265	\$ -	\$ 7,571,040

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6 CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activity- Water Enterprise:				
<u>Capital Assets Not Being Depreciated:</u>				
Construction in progress	\$ -	\$ 503,306	\$ -	\$ 503,306
<u>Capital Assets Being Depreciated:</u>				
Buildings	\$ 26,438	\$ -	\$ -	\$ 26,438
Machinery, Vehicles and Equipment	6,180	-	-	6,180
Infrastructure	10,895,045	830,000	-	11,725,045
Total Capital Assets Being Depreciated	10,927,663	830,000	-	11,757,663
<u>Less Accumulated Depreciation for:</u>				
Buildings	(26,438)	-	-	(26,438)
Machinery, Vehicles and Equipment	(6,180)	-	-	(6,180)
Infrastructure	(2,697,746)	(285,647)	-	(2,983,393)
Total Accumulated Depreciation	(2,730,364)	(285,647)	-	(3,016,011)
Total Capital Assets Being Depreciated, Net	8,197,299	544,353	-	8,741,652
Total Water Enterprise Capital Assets, Net	\$ 8,197,299	\$ 1,047,659	\$ -	\$ 9,244,958
Total Business-Type Activities Capital Assets, Net	\$ 15,239,074	\$ 1,576,924	\$ -	\$ 16,815,998

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

Governmental Activities:

General Government	\$ 90,051
Public Safety	298,879
Education	2,348,362
Public Works	805,627
Culture and Recreation	222,839
Total Depreciation Expense - Governmental Activities	<u>\$ 3,765,758</u>

Business-Type Activities:

Sewer	\$ 237,701
Water	285,647
Total Depreciation Expense - Business-Type Activities	<u>\$ 523,348</u>

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 INTERFUND TRANSFERS AND BALANCES

Interfund transfers for the fiscal year ended June 30, 2023, are summarized below:

Transfers Out:	Transfers In:		
	General Fund	Nonmajor Governmental Fund	Total
General Fund	\$ -	\$ 225,000	\$ 225,000 (1)
Sewer Enterprise Fund	587,084	-	587,084 (2)
Water Enterprise Fund	513,722	-	513,722 (2)
	<u>\$ 1,100,806</u>	<u>\$ 225,000</u>	<u>\$ 1,325,806</u>

- (1) Represents budgeted transfer from the general fund to special revenue funds to subsidize waste and recycling (\$225,000)
(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, 2023, is as follows:

Governmental Funds

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at June 30, 2022	Increases	Decreases	Balance at June 30, 2023
BAN	Various Projects	2/1/2023	2/1/2024	4.00%	\$ -	\$ 1,045,700	\$ -	\$ 1,045,700

Subsequent Event

On February 1, 2024, the Town renewed BANs in the amount of \$1,045,700 and issued new BANs in the amount of \$1,387,180 for various purposes. The BANs have an interest rate of 4.0% and a maturity date of November 1, 2025.

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

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, 2023:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental Activities:					
Bonds and Notes Payable	\$ 146,220,000	\$ -	\$ (4,635,000)	\$ 141,585,000	\$ 4,148,246
Unamortized Bond Premiums	8,050,862	-	(66,974)	7,983,888	603,239
Total Bonds and Notes Payable	154,270,862	-	(4,701,974)	149,568,888	4,751,485
Compensated Absences	1,097,393	224,958	-	1,322,351	132,235
Total	<u>\$ 155,368,255</u>	<u>\$ 224,958</u>	<u>\$ (4,701,974)</u>	<u>\$ 150,891,239</u>	<u>\$ 4,883,720</u>
Business-Type Activities:					
Bonds and Notes Payable	\$ 3,435,781	\$ -	\$ (503,735)	\$ 2,932,046	\$ 473,096
Compensated Absences	37,529	9,801	-	47,330	4,734
Total	<u>\$ 3,473,310</u>	<u>\$ 9,801</u>	<u>\$ (503,735)</u>	<u>\$ 2,979,376</u>	<u>\$ 477,830</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, 2023, and the debt service requirements are as follows:

Bonds and Notes Payable - Governmental Funds

Project	Maturity Date	Interest Rate	Outstanding at June 30, 2022	Issued	Redeemed	Outstanding at June 30, 2023
General Obligation Refunding Bonds 2012	06/15/23	2.00-4.00%	\$ 495,000	\$ -	\$ (495,000)	\$ -
General Obligation Bonds 2013	02/15/33	2.00-4.00%	11,025,000	-	(830,000)	10,195,000
General Obligation Bonds 2016	12/15/26	2.00-3.00%	990,000	-	(100,000)	890,000
General Obligation Bonds 2017	06/30/42	3.00-4.00%	1,165,000	-	(70,000)	1,095,000
General Obligation Bonds 2018	12/15/31	3.00-4.00%	1,235,000	-	(80,000)	1,155,000
General Obligation Bonds 2019	12/15/29	4.00-5.00%	385,000	-	(180,000)	205,000
General Obligation Bonds 2019	12/15/29	4.00-5.00%	465,000	-	(100,000)	365,000
Pump/Vac Truck	06/01/30	4.00%	421,000	-	(51,000)	370,000
Golf Course Inflow & Infiltration Study	06/01/36	2.00-4.00%	124,550	-	(19,550)	105,000
General Obligation Bonds 2021	06/01/36	2.00-4.00%	929,450	-	(74,450)	855,000
General Obligation Refunding Bonds 2021	06/01/31	2.00-4.00%	1,105,000	-	(160,000)	945,000
High School Construction GOB 2022	01/15/52	2.00-5.00%	127,745,000	-	(2,465,000)	125,280,000
Golf Course Irrigation GOB 2022	01/15/32	2.00-5.00%	135,000	-	(10,000)	125,000
Total Governmental Funds			<u>\$ 146,220,000</u>	<u>\$ -</u>	<u>\$ (4,635,000)</u>	<u>\$ 141,585,000</u>

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

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
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>\$ 141,585,000</u>	<u>\$ 61,346,661</u>	<u>\$ 202,931,661</u>

Bonds and Notes Payable – Sewer Enterprise Fund

Project	Maturity Date	Interest Rate	Outstanding			Outstanding at June 30, 2023
			at June 30, 2022	Issued	Redeemed	
Sewer - MWRA*	6/30/2026	0.00%	\$ 116,800	\$ -	\$ (30,450)	\$ 86,350
Sewer - MWRA*	6/30/2029	0.00%	169,750	-	(24,250)	145,500
Sewer - MWRA*	6/30/2032	0.00%	242,500	-	(24,250)	218,250
Total Sewer Enterprise Fund			<u>\$ 529,050</u>	<u>\$ -</u>	<u>\$ (78,950)</u>	<u>\$ 450,100</u>

*Notes from direct borrowings

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 LONG-TERM DEBT (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
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
Total	<u>\$ 450,100</u>	<u>\$ -</u>	<u>\$ 450,100</u>

Bonds and Notes Payable – Water Enterprise Fund

Project	Maturity Dates	Interest Rate	Outstanding at June 30, 2022	Issued	Redeemed	Outstanding at June 30, 2023
Water - MWRA*	6/30/2026	0.00%	\$ 586,731	\$ -	\$ (174,785)	\$ 411,946
Water - MWRA*	6/30/2031	0.00%	1,620,000	-	(180,000)	1,440,000
Water - MWRA*	6/30/2032	0.00%	700,000	-	(70,000)	630,000
Total Water Enterprise Fund			<u>\$ 2,906,731</u>	<u>\$ -</u>	<u>\$ (424,785)</u>	<u>\$ 2,481,946</u>

*Notes from direct borrowings

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
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	<u>\$ 2,481,946</u>	<u>\$ -</u>	<u>\$ 2,481,946</u>

Subsequent Event

On December 11, 2023, the Town was awarded financial assistance for sewer system upgrades in the form of an interest free loan from MWRA for \$970,000. The loan has maturity date of November 15, 2033.

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 LONG-TERM DEBT (CONTINUED)

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, 2023, the Town had the following authorized and unissued debt:

Purpose	Amount
High School Construction	\$ 52,047,927
Additional High School Construction	24,990,257
Middle School Construction	1,096,232
Sewer (Phase 11, 12, & 13)	970,000
Water Rehabilitation and Construction	830,000
Sewer (Phase 10)	610,500
High School Feasibility Study	390,450
Town Roof Restoration and Design Studies	359,700
Water	200,000
6 Wheel Dump Truck w/ Plow	198,000
Streets and Sidewalks	100,000
Marked Police Vehicle	70,000
Vehicle Replacement	60,000
One-Ton Dump Truck	55,000
Town Wide ADA Improvements	50,000
South School Site Rehab-Playground and Park Lot Design	50,000
Drainage Installation (7th Fairway)	38,000
4 Portable Radios & Chargers	35,000
Library Windows	30,000
School Feasibility Study	28,325
Golf Course Irrigation Replacement	500
Total	<u>\$ 82,209,891</u>

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

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, 2023 the following plan members were covered by benefit terms:

Active Plan Members	570
Inactive Members Entitled to But Not Receiving Benefits	16
Retired, Disabled, Survivors, and Beneficiaries Receiving Benefits	<u>446</u>
Total	<u><u>1,032</u></u>

Total OPEB Liability

The Town's Total OPEB liability of \$120,592,282 was measured as of June 30, 2023 and was determined by an actuarial valuation as of July 1, 2021, which has been rolled forward to the June 30, 2023 measurement date.

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

Discount Rate:	3.65%
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.
Actives Teachers Mortality:	The PubH-2010 Headcount-weighted Teachers Mortality Tables, sex-distinct, for Employees, projected using generational mortality and scale MP-2021.
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.
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.

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

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

Changes in the Total OPEB Liability

Balance at June 30, 2022	\$ 117,584,014
Changes for the year:	
Service cost	4,433,356
Interest	4,252,861
Benefit payments	(3,760,116)
Changes of Assumptions	<u>(1,917,833)</u>
Net Changes	<u>3,008,268</u>
Balance at June 30, 2023	<u><u>\$ 120,592,282</u></u>

Changes of Assumptions reflects a change in the discount rate from 3.54% to 3.65%.

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 (2.65%)</u>	<u>Current Discount Rate (3.65%)</u>	<u>1% Increase (4.65%)</u>
Net OPEB Liability	\$ 139,920,383	\$ 120,592,282	\$ 105,124,685

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	\$ 100,985,114	\$ 120,592,282	\$ 146,151,322

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

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, 2023, the Town recognized OPEB income of \$375,275. At June 30, 2023, 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	\$ -	\$ 17,555,566
Changes of Assumptions	<u>4,275,802</u>	<u>17,812,346</u>
Total	<u><u>\$ 4,275,802</u></u>	<u><u>\$ 35,367,912</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>
2024	\$ (9,524,492)
2025	(8,391,497)
2026	(8,608,583)
2027	(4,396,365)
2028	<u>(171,173)</u>
Total	<u><u>\$ (31,092,110)</u></u>

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

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
Nonspendable:					
Permanent Fund Principal	\$ -	\$ -	\$ -	\$ 1,170,678	\$ 1,170,678
Restricted:					
OPEB	494,660	-	-	-	494,660
Opioid Settlement	37,838	-	-	-	37,838
Town Gift and Grant Funds	-	-	-	912,350	912,350
Town Other Funds	-	-	-	2,371,694	2,371,694
School Lunch	-	-	-	652,846	652,846
School Gift and Grant Funds	-	-	-	1,403,581	1,403,581
School Other Funds	-	-	-	533,903	533,903
Receipts Reserved for Appropriation	-	-	-	16,099	16,099
Capital Projects	-	108,148,800	-	997,162	109,145,962
Cemeteries	-	-	-	346,035	346,035
Libraries	-	-	-	137,309	137,309
Other Permanent Funds	-	-	-	505,875	505,875
Sub-Total - Restricted	<u>532,498</u>	<u>108,148,800</u>	<u>-</u>	<u>7,876,854</u>	<u>116,558,152</u>
Committed:					
Capital Stabilization	938,234	-	-	-	938,234
Subsequent Year's Expenditures	40,000	-	-	-	40,000
Continuing Appropriations	763,680	-	-	-	763,680
Sub-Total - Committed	<u>1,741,914</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,741,914</u>
Assigned:					
Encumbrances	216,634	-	-	-	216,634
Sub-Total -Assigned	<u>216,634</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>216,634</u>
Unassigned	<u>15,478,295</u>	<u>-</u>	<u>-</u>	<u>(918,861)</u>	<u>14,559,434</u>
Total	<u>\$ 17,969,341</u>	<u>\$ 108,148,800</u>	<u>\$ -</u>	<u>\$ 8,128,671</u>	<u>\$ 134,246,812</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, 2023 total \$4,733,905 and \$938,234, 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, 2023**

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, 2022, the System’s membership consisted of the following:

Active Members	309
Inactive Members	116
Retirees and Beneficiaries Currently Receiving Benefits	<u>291</u>
Total	<u><u>716</u></u>

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, 2022, active member contributions totaled \$1,767,975 and employer contributions totaled \$7,252,723. Contributions to the System from the Town were \$7,058,350 for the year ended June 30, 2023.

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

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, 2022, were as follows:

Total Pension Liability	\$	135,855,669
Plan Fiduciary Net Position		<u>(116,461,045)</u>
 Net Pension Liability	 \$	 <u>19,394,624</u>
 Plan Fiduciary Net Position as a Percentage of the Total		 85.72%

At June 30, 2023, the Town reported a liability of \$18,874,848 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022 that was rolled forward to the December 31, 2022 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, 2022, actuarially determined. At December 31, 2022, the Town’s proportion was 97.32%, compared to a proportion of 97.71% as of December 31, 2021.

For the year ended June 30, 2023, the Town recognized pension expense of \$5,741,289. At June 30, 2023, 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	\$ 7,833,959	\$ -
Changes in Assumptions	2,139,576	594,432
Changes in Proportion	75,621	52,280
Differences Between Expected and Actual Experience	<u>1,766,333</u>	<u>4,603,400</u>
Total	<u>\$ 11,815,489</u>	<u>\$ 5,250,112</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>
2024	\$ 223,613
2025	1,753,633
2026	1,235,539
2027	<u>3,352,592</u>
Total	<u>\$ 6,565,377</u>

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 14 PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, that was rolled forward to the December 31, 2022 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	7.00%
Interest Rate Credited to Annuity Savings Fund	2.00%
Cost of Living Adjustment	A 3% COLA on the first \$15,000 of a member's retirement allowance is assumed to be granted every year.
Mortality	Mortality: The mortality improvement scale was updated from MP-2019 to MP-2021, reducing the liability by \$395 thousand. The discount rate was reduced from 7.25% to 7.00%, which increased the liability by \$3.2 million. The Cola Base was increased from \$13,000 to \$15,000, increasing the liability by \$1.2 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, 2022, the annual money-weighted rate of return on System investments, net of investment expense, was -8.22%. 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, 2023**

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	38-40%	
US Equity		4.39%
International Equities		4.19%
Emerging Equities		6.82%
Core Fixed Income	18-20%	
Core Bonds		2.05%
Short-Term Fixed Income		1.17%
Treasury STRIPS		1.66%
TIPS/ILBs		1.46%
Value-Added Fixed Income	5-6%	5.07%
Private Equity	11-12%	7.41%
Real Estate	13-14%	3.02%
Timberland	1-2%	4.29%
Portfolio Completion (PCS)	9-11%	3.80%
Totals	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that 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, 2023**

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 7.00%, 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 (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
System's Net Pension Liability	\$ 33,890,044	\$ 19,394,624	\$ 7,101,654

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.00%, 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 (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Town's Proportionate Share of the Net Pension Liability	\$ 32,981,791	\$ 18,874,848	\$ 6,911,330

Legally Required Reserve Accounts – The balance in the System's legally required reserves as of December 31, 2022 are as follows:

Description	Amount	Purpose
Annuity Savings Fund	\$ 17,438,339	Active members' contribution balance
Annuity Reserve Fund	3,508,353	Retired members' contribution account
Military Service Fund	55,772	Military leave of absence contribution balance
Pension Reserve Fund	94,933,582	Amounts appropriated to fund future retirement
Pension Fund	525,000	Remaining Net Position
Total	\$ 116,461,045	

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, 2023**

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, 2023. The Commonwealth's net pension liability associated with the Town was \$62,734,748.

The MTRS' net pension liability was measured as of June 30, 2022, 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, 2022.

For the year ended June 30, 2023, the Town recognized pension expense of \$5,160,545 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, 2023**

NOTE 15 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM (CONTINUED)

Actuarial Assumptions – The MTRS’ total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of January 1, 2021 rolled forward to June 30, 2022. 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, 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	38.00%	4.2%
Core Fixed Income	15.00%	0.5%
Private Equity	15.00%	7.3%
Portfolio Completion Strategies	10.00%	2.7%
Real Estate	10.00%	3.3%
Value Added Fixed Income	8.00%	3.7%
Timber/Natural Resources	4.00%	3.9%
Totals	<u>100.00%</u>	

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

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 \$980,315 for the General Fund as of June 30, 2023.

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, 2023, 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, 2023, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2023.

**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, 2023**

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Real Estate and Personal Property Taxes	\$ -	\$ 63,374,586	\$ -	\$ 63,374,586
Motor Vehicle and Other Excise Taxes	-	3,800,031	-	3,800,031
Hotel/Motel Tax	-	207,000	-	207,000
Tax Liens	-	-	-	-
Payments in Lieu of Taxes	-	4,000	-	4,000
Intergovernmental	-	11,866,417	-	11,866,417
Penalties and Interest on Taxes	-	183,000	-	183,000
Licenses and Permits	-	797,500	-	797,500
Fines and Forfeitures	-	36,500	-	36,500
Departmental and Other	-	1,519,032	-	1,519,032
Investment Income	-	10,000	-	10,000
Total Revenues	-	81,798,066	-	81,798,066
EXPENDITURES				
Current:				
General Government	358,168	3,328,258	475,153	4,161,579
Public Safety	70,266	10,076,422	371,400	10,518,088
Education	19,909	33,777,635	100,000	33,897,544
Public Works	255,702	2,366,228	301,500	2,923,430
Health and Human Services	-	759,672	12,800	772,472
Culture and Recreation	81,735	1,338,308	27,500	1,447,543
Pension Benefits	-	7,058,350	-	7,058,350
Employee Benefits	-	11,573,565	(341,853)	11,231,712
State and County Charges	-	3,658,760	-	3,658,760
Debt Service:				
Principal	-	4,635,000	-	4,635,000
Interest	-	4,506,016	-	4,506,016
Total Expenditures	785,780	83,078,214	946,500	84,810,494
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(785,780)	(1,280,148)	(946,500)	(3,012,428)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	1,100,806	375,000	1,475,806
Transfers Out	-	(1,036,209)	(100,000)	(1,136,209)
Total Other Financing Sources (Uses)	-	64,597	275,000	339,597
NET CHANGE IN FUND BALANCE				
	(785,780)	(1,215,551)	(671,500)	(2,672,831)
Fund Balance - Beginning of Year	9,863,783	9,863,783	9,863,783	9,863,783
FUND BALANCE - END OF YEAR	\$ 9,078,003	\$ 8,648,232	\$ 9,192,283	\$ 7,190,952

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, 2023**

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$ 63,245,664	\$ -	\$ 63,245,664	\$ (128,922)
3,776,463	-	3,776,463	(23,568)
444,902	-	444,902	237,902
5,428	-	5,428	5,428
66,059	-	66,059	62,059
11,698,480	-	11,698,480	(167,937)
145,899	-	145,899	(37,101)
936,222	-	936,222	138,722
60,745	-	60,745	24,245
2,006,072	-	2,006,072	487,040
1,951,835	-	1,951,835	1,941,835
<u>84,337,769</u>	<u>-</u>	<u>84,337,769</u>	<u>2,539,703</u>
3,150,492	790,287	3,940,779	220,800
10,379,566	34,091	10,413,657	104,431
33,705,653	2,409	33,708,062	189,482
2,770,825	91,370	2,862,195	61,235
730,527	2,140	732,667	39,805
1,328,981	60,018	1,388,999	58,544
7,058,350	-	7,058,350	-
11,166,940	-	11,166,940	64,772
3,563,586	-	3,563,586	95,174
4,635,000	-	4,635,000	-
<u>4,496,016</u>	<u>-</u>	<u>4,496,016</u>	<u>10,000</u>
<u>82,985,936</u>	<u>980,315</u>	<u>83,966,251</u>	<u>844,243</u>
<u>1,351,833</u>	<u>(980,315)</u>	<u>371,518</u>	<u>3,383,946</u>
1,475,806	-	1,475,806	-
<u>(1,104,490)</u>	<u>-</u>	<u>(1,104,490)</u>	<u>31,719</u>
<u>371,316</u>	<u>-</u>	<u>371,316</u>	<u>31,719</u>
1,723,149	(980,315)	742,834	3,415,665
<u>9,863,783</u>	<u>-</u>	<u>9,863,783</u>	<u>-</u>
<u>\$ 11,586,932</u>	<u>\$ (980,315)</u>	<u>\$ 10,606,617</u>	<u>\$ 3,415,665</u>

**TOWN OF STONEHAM, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023**

OTHER POSTEMPLOYMENT BENEFITS SCHEDULE

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Total OPEB Liability</u>						
Service Cost	\$ 4,433,356	\$ 6,658,781	\$ 6,372,652	\$ 5,308,599	\$ 4,713,064	\$ 4,851,472
Interest	4,253,861	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	(1,918,833)	(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>(3,760,116)</u>	<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	3,008,268	(39,002,560)	6,882,943	1,502,721	10,222,250	3,198,082
Total OPEB Liability - Beginning	<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>	<u>134,780,578</u>
Total OPEB Liability - Ending	<u>\$ 120,592,282</u>	<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, 2023**

PENSION PLAN SCHEDULES

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

	December 31, 2022	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	\$ 2,721,055	\$ 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	9,613,327	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	1,306,085	-	-	-	-	-	(2,284,697)	-	-
Change in Assumptions	2,792,684	-	(1,688,687)	-	5,107,777	-	1,365,326	-	-
Difference Between Expected and Actual Experience	(6,008,591)	-	5,017,867	-	(110,760)	-	-	-	-
Benefit Payments, Including Refunds of Member Contributions and Net of Transfers	(8,890,913)	(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	1,533,648	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	134,322,021	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>\$ 135,855,669</u>	<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	\$ 7,252,723	\$ 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	1,767,974	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 (Loss)	(10,453,565)	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	(8,890,913)	(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	(305,695)	(265,180)	(258,931)	(280,429)	(261,640)	(250,143)	(282,419)	(239,647)	(229,368)
Net Change in Plan Fiduciary Net Position	(10,629,476)	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	127,090,521	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>\$ 116,461,045</u>	<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>\$ 19,394,624</u>	<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	85.72%	94.62%	83.54%	82.31%	71.79%	80.85%	71.53%	67.44%	69.55%
Covered Payroll	\$ 18,109,327	\$ 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	107.1%	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, 2023**

PENSION PLAN SCHEDULES

SCHEDULE OF EMPLOYER CONTRIBUTIONS (SYSTEM) (1)

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially Determined Contribution	\$ 7,252,723	\$ 7,041,479	\$ 6,465,692	\$ 6,805,992	\$ 6,578,380
Contributions in Relation to the Actuarially Determined Contribution	<u>(7,252,723)</u>	<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>				
Covered Payroll	\$ 18,109,327	\$ 17,924,392	\$ 17,055,524	\$ 16,149,414	\$ 15,393,845
Contributions as a Percentage of Covered Payroll	40.05%	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%	

SCHEDULE OF INVESTMENT RETURNS (SYSTEM) (1)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	-8.22%	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, 2023**

PENSION PLAN SCHEDULES

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Town's Proportion of the Net Pension Liability	97.32%	97.71%	97.03%	97.14%	97.44%
Town's Proportionate Share of the Net Pension Liability	18,874,848	\$ 7,065,898	\$ 20,968,997	\$ 21,541,229	\$ 33,717,745
Town's Covered Payroll	17,618,563	\$ 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	107.13%	40.24%	125.48%	137.08%	225.09%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.72%	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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Actuarially Required Contribution	\$ 7,058,350	\$ 6,880,229	\$ 6,273,661	\$ 6,611,111	\$ 6,409,652
Contributions in Relation to the Actuarially Required Contribution	(7,058,350)	(6,880,229)	(6,273,661)	(6,611,111)	(6,409,652)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Town's Covered Payroll	\$ 17,618,563	\$ 17,560,701	\$ 16,711,031	\$ 15,714,808	\$ 14,979,862
Contributions as a Percentage of Covered Payroll	40.06%	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	(5,943,258)	(5,538,241)	(5,135,261)	(4,788,848)	
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	
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, 2023**

PENSION PLAN SCHEDULES

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

	<u>2023</u>	<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>62,734,748</u>	<u>59,103,763</u>	<u>74,151,481</u>	<u>65,321,980</u>	<u>60,912,021</u>
Total	<u>\$ 62,734,748</u>	<u>\$ 59,103,763</u>	<u>\$ 74,151,481</u>	<u>\$ 65,321,980</u>	<u>\$ 60,912,021</u>
Town's Expense and Revenue Recognized for the Commonwealth's Support	\$ 5,160,545	\$ 4,742,831	\$ 9,158,770	\$ 7,921,424	\$ 6,172,551
Plan Fiduciary Net Position as a Percentage of Total Net Pension Liability	57.75%	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>	
Total	<u>\$ 58,054,777</u>	<u>\$ 56,983,323</u>	<u>\$ 52,804,623</u>	<u>\$ 41,542,919</u>	
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, 2023**

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, 2023, 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	\$ 84,337,769	\$ 83,966,251	\$ 371,316	\$ 10,606,617
<u>Adjustments and Reclassifications</u>				
To Record 60-Day Receipts	92,305	-	-	269,560
To Record Tax Refunds Payable	265,173	-	-	(91,788)
To Record MTRS On-Behalf Payments	5,160,545	5,160,545	-	-
Stabilization Fund Activities	151,717	-	123,827	4,733,905
Capital Stabilization Fund Activities	23,411	-	280,663	938,234
To Record Encumbrances and Continuing Appropriations	-	(980,315)	-	980,315
Activities Restricted for OPEB	37,148	-	100,000	494,660
Activities Restricted for Opioid Settlement	37,838	-	-	37,838
GAAP Basis as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	<u>\$ 90,105,906</u>	<u>\$ 88,146,481</u>	<u>\$ 875,806</u>	<u>\$ 17,969,341</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.

Changes of Assumptions (2022): Discount Rate was adjusted from 7.25% to 7.00%.

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%.

Change of Assumptions (2023): Discount Rate was adjusted from 3.54% to 3.65%.



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