

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF OAKHAM, MASSACHUSETTS

Report on Examination of the Basic Financial Statements and
Additional Information

Year Ended June 30, 2022



TOWN OF OAKHAM, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

Honorable Board of Selectmen
Town of Oakham, Massachusetts

Opinions

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

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

Basis of Opinion

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

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 taken as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing

standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedules listed under the required supplementary information section in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers these to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Roselli Clark & Associates

Roselli, Clark and Associates
Certified Public Accountants
Woburn, Massachusetts
June 2, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the Town of Oakham, Massachusetts (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information.

Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by approximately \$5.8 million (*total net position*). This was a decrease of nearly \$0.3 million from the prior year.
- Of the ending fund balance in the Town's governmental funds, the Town reports unassigned fund balance at year-end of over \$1.3 million and total fund balance of over \$1.6 million in its general fund. The remaining funds in aggregate were over \$1.2 million with the majority of it restricted or committed for specific purposes.
- The Town's largest long-term liability is its net pension liability, which totaled nearly \$0.9 million at June 30, 2022. This liability is an actuarial estimate of the Town's proportionate share of the collective net pension liability of the Worcester Regional Retirement System ("WRRS"). The WRRS is required to be fully funded by June 30, 2040. At December 31, 2021, the WRRS was approximately 56% funded.
- The Town's long-term debt totaled over \$0.3 at June 30, 2022 and consisted of a note payable to the USDA. The USDA notes payable are scheduled to mature in 2039 and cannot be refunded or refinanced. The Town did not issue any general obligations bonds or other long-term notes in fiscal year 2022.
- At the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of over \$2.8 million, which was consistent with the prior year. Of the ending fund balance, over \$1.2 million is *available for spending* at the government's discretion as *unassigned fund balance*. The remainder is earmarked for specific expenditures.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was approximately 33% of the total general fund expenditures and the total general fund balance was nearly 40.3% of the total general fund expenditures.

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of the Town's assets and deferred outflows of resources and its liabilities and deferred inflows of resources, with the difference between the two

reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue. The governmental activities of the Town include general government, public safety, highways and streets, sanitation, education through a regional school district, health and human services, culture and recreation, fringe benefits and debt service. The Town does not report any business-type activities in these financial statements.

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

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

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

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

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

The Town maintains four individual governmental funds – the general fund, ARPA fund, other nonmajor governmental funds and trust funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for these funds.

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

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Town does not maintain any Fiduciary funds.

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

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town’s progress in funding its obligation to provide pension benefits to its employees as well as the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.

Government-Wide Financial Analysis

The condensed comparative statements of net position are as follows:

	June 30	
	2022	2021
<u>Assets</u>		
Current and other assets	\$ 3,296,277	\$ 3,321,951
Capital assets, net	4,202,422	4,439,001
Total assets	7,498,699	7,760,952
<u>Deferred Outflows of Resources</u>		
Pensions	82,456	74,944
<u>Liabilities</u>		
Long-term liabilities	1,185,920	1,364,083
Other liabilities	364,980	317,011
Total liabilities	1,550,900	1,681,094
<u>Deferred Inflows of Resources</u>		
	257,317	127,429
<u>Net Position</u>		
Net investment in capital assets	3,894,297	4,112,751
Restricted	1,449,762	1,665,993
Unrestricted	428,879	248,629
Net Position	\$ 5,772,938	\$ 6,027,373

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Each component of the Town's total net position is positive. The Town's total net position decreased nearly \$0.3 million in fiscal year 2022. This decrease was due primarily to an investment loss from market conditions that caused a fluctuation of over \$0.3 million.

The largest portion (approximately \$3.9 million) of the Town's overall net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt (netted down by those amounts expected to be reimbursed by the Commonwealth) used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional significant portion of the Town's total net position (over \$1.4 million) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* may be used to meet the government's ongoing obligations to its citizens and creditors.

The condensed comparative statements of activities are as follows:

	Year Ended June 30	
	2022	2021
<u>Revenues</u>		
Program revenues:		
Charges for services	\$ 426,644	\$ 480,178
Operating grants and contributions	373,603	375,390
Capital grants and contributions	19,941	451,620
General revenues:		
Property taxes	3,234,850	3,127,632
Excise taxes	314,640	307,965
Intergovernmental	221,435	203,729
Other	(102,657)	226,075
Total revenues	<u>4,488,456</u>	<u>5,172,589</u>
<u>Expenses</u>		
General government	663,142	396,026
Public safety	670,497	790,779
Education	2,528,102	2,513,181
Public works	717,027	644,741
Health and human services	43,179	137,586
Culture and recreation	105,447	112,370
Debt service	15,497	16,358
Total expenses	<u>4,742,891</u>	<u>4,611,041</u>
Change in net position	(254,435)	561,548
Net position, beginning of year	<u>6,027,373</u>	<u>5,465,825</u>
Net position, end of year	<u>\$ 5,772,938</u>	<u>\$ 6,027,373</u>

Governmental Activities – Total revenues in fiscal year 2022 in the Town’s governmental activities decreased nearly \$0.6 million from the prior fiscal year. The majority of this decrease was due to lower Chapter 90 roadway reimbursements of nearly \$0.4 million. The Town typically combines multiple year grant awards into one large project, and fiscal 2022 was an off year. The Town’s largest revenue source is property taxes, which represent approximately 72% and 60% of total fiscal year 2022 and 2021 revenues, respectively. Charges for services represented approximately 10% and 9% of fiscal year 2022 and 2021 revenues, respectively. No other revenue source was greater than 10% of total fiscal year 2022 revenues.

Education represents the largest expense category for the Town and is provided through the Quabbin Regional School District. In total, education expenses represented approximately 53% and 55% of total fiscal year 2022 and 2021 expenses. General government expenses represented approximately 14% and 9% of total fiscal year 2022 and 2021 expenses; this increase is due to ARPA spending classified as general government. Public safety expenses represented approximately 14% and 17% of total fiscal year 2022 and 2021 expenses; this decrease is due to less road details in fiscal year 2022 due to less roadway projects. Public works expenses represented approximately 15% and 14% of total fiscal year 2022 and 2021 expenses. No other expense types were greater than 10% of total expenses in fiscal years 2022 or 2021.

Government Funds Financial Analysis

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

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

As of the close of the current fiscal year, the Town’s governmental funds balance sheet reported a combined ending fund balance of over \$2.8 million, which was consistent with the prior fiscal year. Of the ending fund balance, over \$1.3 million is *available for spending* at the government’s discretion as *unassigned fund balance*. The remainder is earmarked for specific expenditures.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was over \$1.3 million, while total general fund balance approximated \$1.6 million. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance at year end represents over 33% of total fiscal year 2022 general fund expenditures, while total fund balance represents approximately 40.3% of that same amount.

Beginning in fiscal year 2021, the Town began reporting the financial activity and position of its ARPA fund as a major governmental fund. The ARPA fund expended nearly \$0.2 million and, as of June 30, 2022, reports cash assets and unearned revenue (liability) of over \$0.1 million.

The nonmajor governmental funds reported a decrease in fund balance of approximately \$0.1 million in the fiscal year 2022, which is primarily due to spending of intergovernmental funding provided during the pandemic.

The fund balance in the Town’s trust funds decreased by over \$0.1 million in the current year due to the impact market conditions had on investment returns.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were not significant. A reconciliation of these differences is found in the required supplementary information.

Capital Asset and Debt Administration

Capital Assets –The Town’s investment in capital assets as of June 30, 2022 totaled approximately \$4.2 million, net of accumulated depreciation. This investment in capital assets includes land, buildings and system improvements, machinery and equipment and reflects a decrease of over \$0.2 million. This decrease was a result of current year depreciation expense exceeding capital additions.

Additional information on the Town capital assets can be found in the notes to the financial statements.

Long-term Debt – The Town’s long-term debt consisted of a note payable to the USDA of approximately \$0.3 million at June 30, 2022. The USDA notes payable are scheduled to mature in 2039 and cannot be refunded or refinanced. The Town’s total general obligation notes payable debt decreased by over \$18,000 in fiscal year 2022 to approximately \$0.3 million.

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

Additional information on the Town’s debt can be found in the notes to the financial statements.

Economic Factors and Next Year’s Budgets and Rates

- The Town’s real estate tax base is made up predominantly of residential taxes, which in 2022 are approximately 97% of the entire property tax levy. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town’s ability to increase taxes in any one year by more than 2 ½% of the previous year’s tax levy. The Town typically taxes at or near its levy limit annually.
- The Town’s housing market has been very strong for the past several years. This has been bolstered by mortgage rates at historic lows. Current actions by the Federal Open Market Committee to soften the economy due to inflation have caused mortgage rates to spike during fiscal year 2023. Such trends may have an adverse effect on the housing market, and the Town is monitoring this.
- Inflation is peaking near 40-year historic highs. This is having adverse impacts on the Town. Wage inflation cannot guarantee that the Town will be able to maintain employees without increasing wages. Energy inflation is causing a spike in energy costs. Price inflation is causing a spike in the price of the delivery and cost of goods and services. The construction building index is nearing historic highs which may cause the estimates of major capital projects to increase, in addition to the financing costs of these projects. The Town continues to monitor this situation.
- The Town’s median household income is significantly more than the state-wide and national averages.

These factors, amongst others, were considered in preparing the Town’s budget for the 2023 fiscal year which was adopted by Town Meeting in the Spring of 2022.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Board of Selectmen, Town Hall, 2 Coldbrook Road, Oakham, Massachusetts 01608.

TOWN OF OAKHAM, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2022

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 1,649,318
Investments	1,513,218
Receivables, net of allowance for uncollectible accounts:	
Property taxes	54,326
Excise taxes	31,726
Departmental and other	7,469
Intergovernmental	40,220
Capital assets not being depreciated	497,500
Capital assets, net of depreciation	3,704,922
Total Assets	<u>7,498,699</u>
 Deferred Outflows of Resources	
Pensions	<u>82,456</u>
 Liabilities	
Current liabilities:	
Warrants and accounts payable	112,871
Other liabilities	8,147
Planning board deposits	118,758
Unearned revenue	125,204
Noncurrent liabilities:	
Due in one year or less	18,125
Due in more than one year	1,167,795
Total Liabilities	<u>1,550,900</u>
 Deferred Inflows of Resources	
Pensions	<u>257,317</u>
 Net Position	
Net investment in capital assets	3,894,297
Restricted for:	
Nonexpendable perpetual funds	107,745
Expendable perpetual funds	709,702
Other purposes	632,315
Unrestricted	428,879
Total Net Position	<u>\$ 5,772,938</u>

See accompanying notes to basic financial statements.

TOWN OF OAKHAM, MASSACHUSETTS

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

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<u>Governmental Activities</u>					
General government	\$ 663,142	\$ 177,317	\$ 244,292	\$ -	\$ (241,533)
Public safety	670,497	232,229	81,763	-	(356,505)
Education	2,528,102	-	20,032	-	(2,508,070)
Public works	717,027	-	-	19,941	(697,086)
Health and human services	43,179	15,746	21,730	-	(5,703)
Culture and recreation	105,447	1,352	5,786	-	(98,309)
Interest expense	15,497	-	-	-	(15,497)
Total Primary Government	\$ 4,742,891	\$ 426,644	\$ 373,603	\$ 19,941	(3,922,703)
<u>General Revenues</u>					
					3,234,850
					221,435
					314,640
					24,201
					(126,858)
					3,668,268
					(254,435)
					6,027,373
					\$ 5,772,938

See accompanying notes to basic financial statements.

TOWN OF OAKHAM, MASSACHUSETTS

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

	General	ARPA Fund	Nonmajor Governmental Funds	Trust Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 1,085,000	\$ 125,204	\$ 370,706	\$ 68,408	\$ 1,649,318
Investments	762,979	-	-	750,239	1,513,218
Receivables, net of allowances:					
Property taxes	54,326	-	-	-	54,326
Excise taxes	31,726	-	-	-	31,726
Departmental and other	2,359	-	5,110	-	7,469
Due from other governments	17,579	-	22,641	-	40,220
Total Assets	<u>1,953,969</u>	<u>125,204</u>	<u>398,457</u>	<u>818,647</u>	<u>3,296,277</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,953,969</u>	<u>\$ 125,204</u>	<u>\$ 398,457</u>	<u>\$ 818,647</u>	<u>\$ 3,296,277</u>
Liabilities					
Warrants and accounts payable	\$ 85,193	\$ -	\$ 4,033	\$ 1,200	\$ 90,426
Accrued payroll and related expenses	17,557	-	4,888	-	22,445
Unearned revenue	-	125,204	-	-	125,204
Planning board deposits	118,758	-	-	-	118,758
Other liabilities	8,147	-	-	-	8,147
Total Liabilities	<u>229,655</u>	<u>125,204</u>	<u>8,921</u>	<u>1,200</u>	<u>364,980</u>
Deferred Inflows of Resources					
Unavailable revenues - property taxes	54,326	-	-	-	54,326
Unavailable revenues - excise taxes	31,726	-	-	-	31,726
Unavailable revenues - departmental and other	2,359	-	5,110	-	7,469
Total Deferred Inflows of Resources	<u>88,411</u>	<u>-</u>	<u>5,110</u>	<u>-</u>	<u>93,521</u>
Fund Balances					
Nonspendable	-	-	-	107,745	107,745
Restricted	-	-	384,426	709,702	1,094,128
Committed	289,069	-	-	-	289,069
Assigned	5,889	-	-	-	5,889
Unassigned	1,340,945	-	-	-	1,340,945
Total Fund Balances	<u>1,635,903</u>	<u>-</u>	<u>384,426</u>	<u>817,447</u>	<u>2,837,776</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,953,969</u>	<u>\$ 125,204</u>	<u>\$ 398,457</u>	<u>\$ 818,647</u>	<u>\$ 3,296,277</u>

See accompanying notes to basic financial statements.

TOWN OF OAKHAM, MASSACHUSETTS

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

Total Governmental Fund Balances	\$ 2,837,776
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	4,202,422
Other long-term assets are not available to pay for current-period expenditures and are therefore unavailable within the funds.	93,521
Deferred outflows and inflows of resources to be recognized in future pension expense are not available resources and therefore are not reported in the funds:	
Deferred outflows of resources - pensions	82,456
Deferred inflows of resources - pensions	(257,317)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the government funds:	
Bonds and notes payable	(308,125)
Net pension liability	<u>(877,795)</u>
Fund Balances of Governmental Activities	<u>\$ 5,772,938</u>

See accompanying notes to basic financial statements.

TOWN OF OAKHAM, MASSACHUSETTS

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

	General	ARPA Fund	Nonmajor Governmental Funds	Trust Funds	Total Governmental Funds
Revenues					
Real estate and personal property taxes	\$ 3,260,911	\$ -	\$ -	\$ -	\$ 3,260,911
Intergovernmental	352,060	167,276	85,893	-	605,229
Motor vehicle and other excises	335,391	-	-	-	335,391
Departmental and other revenue	193,577	-	214,562	-	408,139
License and permits	12,232	-	-	-	12,232
Penalties and interest on taxes	24,201	-	-	-	24,201
Fines and forfeitures	4,645	-	-	-	4,645
Investment income (loss)	(9,068)	-	-	(117,790)	(126,858)
Contributions and donations	-	-	2,100	7,650	9,750
Total Revenues	<u>4,173,949</u>	<u>167,276</u>	<u>302,555</u>	<u>(110,140)</u>	<u>4,533,640</u>
Expenditures					
Current:					
General government	431,115	167,276	33,550	-	631,941
Public safety	492,296	-	244,226	-	736,522
Education	2,521,967	-	-	-	2,521,967
Public works	341,462	-	19,941	8,114	369,517
Health and human services	28,220	-	14,617	-	42,837
Culture and recreation	88,631	-	3,588	8,090	100,309
Pensions and other fringe benefits	122,303	-	-	-	122,303
State and county tax assessments	3,081	-	-	-	3,081
Debt service:					
Principal	18,125	-	-	-	18,125
Interest	15,497	-	-	-	15,497
Total Expenditures	<u>4,062,697</u>	<u>167,276</u>	<u>315,922</u>	<u>16,204</u>	<u>4,562,099</u>
Excess of Revenues over Expenditures	<u>111,252</u>	<u>-</u>	<u>(13,367)</u>	<u>(126,344)</u>	<u>(28,459)</u>
Other Financing Sources (Uses):					
Transfers in	52,784	-	959	-	53,743
Transfers out	(959)	-	(52,784)	-	(53,743)
Total Other Financing Sources (Uses)	<u>51,825</u>	<u>-</u>	<u>(51,825)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	163,077	-	(65,192)	(126,344)	(28,459)
Fund Balances - Beginning of year	<u>1,472,826</u>	<u>-</u>	<u>449,618</u>	<u>943,791</u>	<u>2,866,235</u>
Fund Balances - End of year	<u>\$ 1,635,903</u>	<u>\$ -</u>	<u>\$ 384,426</u>	<u>\$ 817,447</u>	<u>\$ 2,837,776</u>

See accompanying notes to basic financial statements.

TOWN OF OAKHAM, MASSACHUSETTS

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

Net Change in Fund Balances - Total Governmental Fund Balances \$ (28,459)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and depreciated over their estimated useful lives. This amount represents the net amount of depreciation expense in excess of capital outlay.

The amounts are represented here as reconciling items:

Capital outlays	\$ 150,019	
Depreciation expense	(386,598)	
Net effect of reporting capital assets		(236,579)

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

Repayments on long-term debt	18,125	
Net effect of reporting long-term debt		18,125

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

(45,184)

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

Net pension liability	37,662	
Net effect of reporting long-term liabilities		37,662

Net Change in Fund Balances of Governmental Activities \$ (254,435)

See accompanying notes to basic financial statements.

TOWN OF OAKHAM, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town is located in Worcester County and is a suburb of the City of Worcester. The Town was incorporated in 1762. The governing structure utilizes an open town meeting format with an elected three-member Board of Selectmen, who oversee the Town’s day-to-day operations. Selectmen serve staggered three-year terms.

The Town provides governmental services for the territory within its boundaries, including public safety, education through a regional school district, public works, health and human services, culture and recreation, general governmental services.

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

The Town is a member community of the Quabbin Regional School District, which provides educational services to five area communities. This joint venture assesses each community its share of operational and debt service costs based on student population and other factors. In fiscal year 2022, the Town’s assessment was \$2,372,753. There is no equity interest reported in these financial statements. Complete audited financial statements can be obtained directly from the District’s administrative office located at 872 South Street, Barre, Massachusetts 01005.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Town does not have any business-type activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. The Town’s general fund is the sole major individual government funds and is reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

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

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

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

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

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

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

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

The Town applies the susceptible to accrual criteria to intergovernmental revenues. In applying the susceptible to accrual concept, there are two types of revenues. In one, moneys must be expended for a specific purpose or project before any amounts will be paid to the; therefore, revenues are recognized as expenditures are incurred. In the other, monies are virtually unrestricted and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues when cash is received, or earlier if the susceptible to accrual criteria are met. State aid is accrued as revenue in the year that the funds are appropriated by the Commonwealth of Massachusetts (the “Commonwealth”).

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

The government reports the following major Governmental Funds:

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

ARPA Fund – is used to account for activities of the Town’s ARPA federal grant program.

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

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

Trust Funds – are used to account for funds bequeathed to the Town for purposes stipulated by the donors.

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

The Town does not have any fiduciary funds.

When both restricted and unrestricted resources are available for use, it is the Town’s policy to use restricted resources first, then unrestricted resources, as they are needed.

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

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

Receivables – Real estate and personal property taxes are assessed on January 1 every year. Bills are sent semi-annually with quarterly due dates of August 1, November 1, February 1 and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes up to the statutory interest percentage rate per annum. Property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate taxes and water and user fees are secured through a lien process within sixty days after the due date and are considered 100% collectible. Accordingly, an allowance for uncollectible balances for these receivables is not reported. All personal property tax, excise tax

and other departmental receivables are shown net of an allowance for uncollectible balances comprised of those outstanding amounts greater than five years old, if material.

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

Capital Assets – Capital assets include land, land improvements, buildings and improvements, machinery and equipment, vehicles, software and infrastructure (e.g. roads, sidewalks, water mains, and similar items). Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

All purchases and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected lives of greater than two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets (excluding land and construction-in-process) are depreciated by the Town on a straight-line-basis.

The estimated useful lives of capital assets being depreciated are as follows:

Buildings and improvements	20 – 40 years
Vehicles, machinery and equipment	5 – 20 years
Infrastructure	15 – 20 years

Interfund Balances – Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either *due to/from other funds* or *advances to/from other funds*. All other outstanding balances between funds are reported as due to/from other funds.

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

Investment Income – Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by state law.

Compensated Absences – It is the Town’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Compensated absence liabilities are normally paid from the funds reporting payroll and related expenditures (the general fund in the case of the Town). Amounts related to these benefits are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured.

Long-term Obligations – Long-term debt is reported as liabilities in the government-wide statement of net position. Bond premiums and discounts, in addition to issuance costs (if

material), are amortized over the life of the bonds using the effective interest method. Bond anticipation notes payable are reported net of the applicable bond premium or discount.

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

Risk Financing – The Town insures for workers’ compensation, health, unemployment benefits, casualty, theft and other losses. Uninsured losses are recorded as expenditures when incurred.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports deferred outflows of resources in its government-wide financial statements relative to pension-related transactions. The Town does not report deferred outflows of resources in its governmental funds financial statements. Deferred pensions will be recognized into pension expense within the next four years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports deferred inflows of resources in its government-wide financial statements relative to pension-related transactions. The deferred pensions will be recognized as reductions to pension expense within the next four years. The Town reports unavailable revenues as deferred inflows of resources in its governmental funds financial statements. These amounts will be recognized as an inflow of resources in the period that the amounts become available.

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

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

Nonexpendable permanent funds represent the endowment portion of donor restricted trusts that support governmental programs.

Expendable permanent funds represent the amounts held in trust whereby expenditures are subject to various trust agreements.

Other purposes represent assets that are restricted by donors and state laws for specific governmental programs and uses.

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

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

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

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

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

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

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

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

	General Fund	Nonmajor Governmental Funds	Trust Funds	Total Governmental Funds
Nonspendable:				
Perpetual permanent funds	\$ -	\$ -	\$ 107,745	\$ 107,745
Restricted:				
Expendable trusts	-	-	709,702	709,702
Federal and state grants	-	173,976	-	173,976
Revolving funds	-	210,450	-	210,450
Committed:				
General government	41,658	-	-	41,658
Public safety	5,411	-	-	5,411
Subsequent year expenditures	242,000	-	-	242,000
Assigned:				
General government	3,404	-	-	3,404
Public safety	1,307	-	-	1,307
Public works	1,178	-	-	1,178
Unassigned:				
Unrestricted	599,380	-	-	599,380
General stabilization	429,190	-	-	429,190
Other stabilization funds	312,375	-	-	312,375
	<u>\$ 1,635,903</u>	<u>\$ 384,426</u>	<u>\$ 817,447</u>	<u>\$ 2,837,776</u>

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

Stabilization Funds – The Town maintains three separate stabilization funds. The use of stabilization funds requires the vote of two-thirds of Town Meeting. The fund balances in the Town's stabilization funds are reported as unassigned in the general fund at June 30, 2022.

Encumbrances – The Town's encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal purchasing activity approved by the Town Controller as assigned, and (2) classify encumbrances that result from an action of the Town Council as committed. Encumbrances of funds already restricted, or committed are included within the classification of those fund balances and not reported separately. The Town reports \$5,889 of encumbrances from normal purchasing activity in the general fund as assigned. There are no encumbrances reported in any other fund.

E. Excess of Expenditures Over Appropriations and Deficits

During the year ended June 30, 2022, there were no material expenditures exceeding appropriations. Additionally, there were no material deficits in the Town's nonmajor governmental funds.

F. Use of Estimates

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

II. Detailed Notes to All Funds

A. Deposits and Investments

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

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

Custodial Credit Risk: Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk relative to cash holdings.

At June 30, 2022, the carrying amount of the Town's deposits was \$1,594,499 and the bank balance was \$1,883,600. Of the Town's bank balance, \$1,883,600 was covered by either federal depository insurance or by the depositors' insurance fund.

Custodial Credit Risk: Investments – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings. All of the Town's investments are registered in its name and cannot be pledged or assigned. The Town is not exposed to custodial credit risk on its investments. The Town does not have a formal investment policy related to custodial credit risk.

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

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

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.

- *Level 2* – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the investment through correlation with market data at the measurement date and for the duration of the instrument’s anticipated life.
- *Level 3* – Inputs reflect the Town’s best estimate of what market participants would use in pricing the investment at the measurement date.

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

Investments by Fair Value Level	June 30, 2022	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Debt securities:				
U.S. governmental obligations	\$ 319,597	\$ 263,028	\$ 56,569	\$ -
Corporate fixed income securities	355,623	-	355,623	-
Negotiable certificates of deposit	45,124	-	45,124	-
Total debt securities	720,344	263,028	457,316	-
Equity mutual funds	474,367	474,367	-	-
Fixed income mutual funds	318,507	-	318,507	-
Total investments by fair value level	\$ 1,513,218	\$ 737,395	\$ 775,823	\$ -

The Town’s investment in U.S. treasuries and equity securities were classified in Level 1 as these securities are traded in active markets. Investments in U.S. agency obligations, corporate bonds, certificates of deposit and fixed income mutual funds are valued using prices for similar securities in active markets and were classified in Level 2.

Interest Rate Risk: Deposits – This is the risk that changes in interest rates will adversely affect the market value of an investment. The Town does not have formal investment policies that limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

Investment Maturities – At June 30, 2022, the Town had the following investments and maturities:

Investment Type	Fair Value	Time Until Maturity (in years)		
		Less Than 1	1 to 5	6 to 10
U.S. governmental obligations	\$ 319,597	\$ 115,402	\$ 204,195	\$ -
Corporate fixed income securities	355,623	40,690	239,774	75,159
Certificates of deposit	45,124	16,077	29,047	-
Total investments with maturities	720,344	\$ 172,169	\$ 473,016	\$ 75,159
<u>Other Investments:</u>				
Equity mutual funds	474,367			
Fixed income mutual funds	318,507			
Total Town investments	\$ 1,513,218			

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

Credit Risk – The Town has not adopted a formal policy related to credit risk.

As of June 30, 2022, the credit quality ratings of the Town’s debt securities were as follows:

Investments	Bond Rating (Moody's)						Total
	Aaa	A1	A2	Baa1	Baa2	Unrated	
Government Obligations	\$ 319,597	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 319,597
Corp. Fixed Income Securities	35,453	31,843	185,150	71,381	31,796	-	355,623
Certificates of Deposit	-	-	-	-	-	45,124	45,124
Totals	\$ 355,050	\$ 31,843	\$ 185,150	\$ 71,381	\$ 31,796	\$ 45,124	\$ 720,344

B. Receivables

Receivables as of June 30, 2022 for the Town’s major governmental funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, were as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Real estate taxes	\$ 28,674	\$ -	\$ 28,674
Personal property taxes	25,652	-	25,652
Tax liens	2,359	-	2,359
Motor vehicle excise taxes	31,726	-	31,726
Ambulance	80,537	(80,537)	-
Title V loan receivables	5,110	-	5,110
Intergovernmental	40,220	-	40,220
Total	\$ 214,278	\$ (80,537)	\$ 133,741

Governmental funds report unavailable revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The following table identifies the components of unavailable revenues in the governmental funds:

	General Fund	Nonmajor Funds	Total
Receivable type:			
Real estate and personal property taxes	\$ 54,326	\$ -	\$ 54,326
Tax liens	2,359	-	2,359
Motor vehicle excise taxes	31,726	-	31,726
Departmental and other	-	5,110	5,110
Total	<u>\$ 88,411</u>	<u>\$ 5,110</u>	<u>\$ 93,521</u>

C. Interfund Receivables, Payables and Transfers

The composition of interfund balances at June 30, 2022 is as follows:

Transfers Out	General Fund	Nonmajor Governmental Funds	Total
General fund	\$ -	\$ 959	\$ 959 (1)
Nonmajor funds	<u>52,784</u>	<u>-</u>	<u>52,784 (2)</u>
Total	<u>52,784</u>	<u>959</u>	<u>53,743</u>

(1) Transfer to nonmajor governmental funds for closure of FEMA Assist Firefighter account.

(2) Transfer to general fund for tanker truck tires, fire command vehicle and closure of accounts.

D. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 497,500	\$ -	\$ -	\$ 497,500
Capital assets being depreciated:				
Buildings and improvements	3,514,171	-	-	3,514,171
Infrastructure	4,526,287	-	-	4,526,287
Machinery and equipment	467,656	11,074	-	478,730
Vehicles	1,550,843	138,945	-	1,689,788
Total capital assets being depreciated	10,058,957	150,019	-	10,208,976
Less accumulated depreciation for:				
Buildings and improvements	(2,673,346)	(40,814)	-	(2,714,160)
Infrastructure	(1,936,946)	(254,296)	-	(2,191,242)
Machinery and equipment	(279,803)	(34,202)	-	(314,005)
Vehicles	(1,227,361)	(57,286)	-	(1,284,647)
Total accumulated depreciation	(6,117,456)	(386,598)	-	(6,504,054)
Total capital assets being depreciated, net	3,941,501	(236,579)	-	3,704,922
Total capital assets, net	\$ 4,439,001	\$ (236,579)	\$ -	\$ 4,202,422

Depreciation expense was charged to functions/programs as follows:

General government	\$ 5,465
Public safety	63,232
Education	11,784
Public works	301,321
Culture and recreation	4,796
	<u>\$ 386,598</u>

E. Temporary Debt

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

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

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

Temporary notes are general obligations of the Town and carry maturity dates that are limited by state law. The Town did not have any temporary debt activity in fiscal year 2022.

F. Long-term Obligations

The Town issues general obligation bonds and notes payable as well as capital leases to provide funds for the acquisition and construction of major capital facilities. Additionally, the Town incurs various other long-term obligations relative to pension costs.

State law permits a Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of five percent of its equalized valuation. Debt issued in accordance with this section of the law is designated as being “inside the debt limit.” In addition, a Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being “outside the debt limit.” The Town’s legal debt margin as of June 30, 2022 was approximately \$12.8 million based on an equalized valuation of approximately \$255 million.

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

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
General obligation notes payable	\$ 326,250	\$ -	\$ (18,125)	\$ 308,125	\$ 18,125
Net pension liability	1,037,833	174,368	(334,406)	877,795	-
Total	<u>\$ 1,364,083</u>	<u>\$ 174,368</u>	<u>\$ (352,531)</u>	<u>\$ 1,185,920</u>	<u>\$ 18,125</u>

These liabilities will be liquidated by the general fund.

General obligation notes payable outstanding at June 30, 2022 were as follows:

Description of Issue	Interest Rates	Beginning Balance	Additions	Maturities and Deductions	Ending Balance
USDA notes payable	4.75%	\$ 326,250	\$ -	\$ (18,125)	\$ 308,125
Total		<u>\$ 326,250</u>	<u>\$ -</u>	<u>\$ (18,125)</u>	<u>\$ 308,125</u>

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

Year Ending June 30,	Principal	Interest	Total
2023	\$ 18,125	\$ 14,636	\$ 32,761
2024	18,125	13,775	31,900
2025	18,125	12,914	31,039
2026	18,125	12,053	30,178
2027	18,125	11,192	29,317
2028-2032	90,625	43,047	133,672
2033-2037	90,625	21,523	112,148
2038-2039	<u>36,250</u>	<u>2,583</u>	<u>38,833</u>
Total	<u>\$ 308,125</u>	<u>\$ 131,723</u>	<u>\$ 439,848</u>

Authorized and Unissued Debt – At June 30, 2022, no amounts were authorized and unissued for additional borrowings.

III. Other Information

A. Retirement System

Plan Description – The Town contributes to the Worcester County Retirement System (the “System”), a cost-sharing multiple-employer defined benefit pension plan. The System was established under Chapter 32 of Massachusetts General Laws. The System is administered by the Worcester Regional Retirement Board (the “Board”). Stand-alone financial statements for the year ended December 31, 2021, were issued and are available by submitting a request to the Retirement System at 23 Midstate Drive, Suite 106, Auburn, Massachusetts 01501.

Membership – Membership in the System as of December 31, 2021 was as follows:

Retirees and beneficiaries currently receiving benefits	4,112
Active plan members	7,121
Inactive plan members	2,714
Total	<u>13,947</u>
Number of employers	99

Benefit Terms – Membership in the System is mandatory for all full-time employees and non-seasonal, part-time employees who, in general, regularly work more than twenty hours per week. Members of the Retirement System do not participate in the federal Social Security retirement system.

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

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

Normal retirement generally occurs at age 65. However, participants may retire after twenty years of service or at any time after attaining age 55, if hired prior to April 2, 2012 or at any time after attaining age 60 if hired on or after April 2, 2012. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years’ creditable service in order to retire at age 55. Participants become vested after ten years of service. Benefits commencing before age 65 are provided at a reduced rate. Members working in certain occupations may retire with full benefits earlier than age 65.

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

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

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

The System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws. There were no significant changes to the System's benefit terms in fiscal year 2022. There were no material changes made in this update to the actuarial assumptions (see below).

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

The Town contributed \$77,089 to the Retirement System in fiscal year 2022, which equaled the actuarially determined contribution requirement for the fiscal year. Contributions as a percentage of covered payroll was approximately 28% in fiscal year 2022.

Net Pension Liability – At June 30, 2022, the Town proportionate share of the net pension liability was \$877,795. The net pension liability was measured as of January 1, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. These figures were updated by the independent actuary to December 31, 2021. There were no material changes to the System's benefit terms since the actuarial valuation.

The Town's proportion of the net pension liability is based on a projection of the Town's long-term share of contributions to the System relative to the projected contributions of all employers. The Town's proportion were approximately 0.104%.

Fiduciary Net Position – The elements of the System's basic financial statements (that is, all information about the System's assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position) can be found in the System's full financial statements as of and for the year ended December 31, 2021, which can be obtained by contacting the Board.

The System's fiduciary net position was determined using the accrual basis of accounting. The System's accounting records are maintained on a calendar-year basis in accordance with the standards and procedures established by the Massachusetts Public Employee Retirement Administration Commission, or PERAC. Contributions from employers and employees are recognized in the period in which they become due pursuant to formal commitments, statutory or contractual requirements. Benefit payments (including refunds of employee contributions) are recorded when incurred, regardless of the timing of payment. Investments are reported at fair value; fair value is determined as the price one would receive in an orderly transaction between market participants at a measurement date.

Pension Expense – The Town recognized \$39,427 in pension expense in the statement of activities in fiscal year 2022.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions in its governmental activities and sewer enterprise fund from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 18,359
Net differences between projected and actual earnings on pension plan investments	-	123,842
Changes of assumptions	75,480	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	6,976	115,116
Total	<u>\$ 82,456</u>	<u>\$ 257,317</u>

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

<u>Year ended June 30,</u>	
2023	\$ (53,416)
2024	(47,258)
2025	(34,516)
2026	(31,952)
2027	(7,719)
Total	<u>\$ (174,861)</u>

Actuarial Valuation – The measurement of the System's total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2020. The significant actuarial assumptions used in the January 1, 2020 actuarial valuation included:

Actuarial cost method	Entry Age Normal
Amortization method	Increasing dollar amount at 4%. Annual increase in appropriation is further limited to 9.95%
Remaining amortization period	15 years (2036), except for the 2002 and 2003 ERI which are 7 years (2028) and 2010 ERI which is 1 year (2022)
Asset valuation method	Market value
Investment rate of return / discount rate	7.65%, net of pension plan investment expenses including inflation
Projected salary increases	Group 1: 4.25 - 6.00%, based on service Group 4: 4.75 - 7.00%, based on service
Inflation rate	2.4% per year
Mortality rates:	
Healthy retiree	RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2020.
Disabled retiree	RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2020, set forward one year.

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 returns (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 rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the System's target allocation as of December 31, 2021 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%	4.22%
Fixed Income	15%	0.70%
Value-Added Fixed Income	8%	4.00%
Private equity	15%	7.70%
Real Estate	10%	3.60%
Timber/Natural Resources	4%	4.20%
Hedge Funds	10%	3.00%

Discount Rate – The discount rate used to measure the total pension liability in the January 1, 2020 actuarial valuation report was 7.25%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially-determined contribution rates and the member rate.

Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis – The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25% as well as the proportionate share of the net pension

liability using a discount rate that is one percentage point lower, or one percentage point higher than the current rate:

	Current Discount	1% Decrease	Current	1% Increase
Net pension liability	7.25%	\$ 1,107,272	\$ 877,795	\$ 683,892

B. Risk Financing

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

C. Other Postemployment Benefits

The Town has not elected the provisions of MGL Chapter 32 that pertain to providing other postemployment benefits besides pension benefits to retirees. Accordingly, there is no liability for health, life or any other benefits except retirement as discussed above. Retirees may, for a period of up to 18 months after retirement pay entirely into the Town under COBRA, the cost of their monthly health insurance premium.

D. Commitments and Contingencies

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

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

The Town is subject to certain Federal arbitrage laws in regarding its long-term borrowing agreements. Failure to comply with the rules could result in payments of penalties. The amount of penalties, if any, cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

IV. Implementation of GASB Pronouncements

Current Year Implementations –

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefined the manner in which long-term leases are accounted and reported. As amended, the provisions of this Statement became effective in fiscal year 2022. The adoption of this standard required the Town to increase its beginning balances in accounts receivable and deferred inflows of resources \$357,026 in its general fund.

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

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

Future Year Implementations

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

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

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

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

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

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

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TOWN OF OAKHAM, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEARS ENDED JUNE 30, 2022**

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

Year Ended December 31,	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.104%	\$ 877,795	\$ 275,760	318.32%	56.20%
2020	0.117%	1,037,833	307,375	337.64%	50.30%
2019	0.117%	1,037,009	262,901	394.45%	47.36%
2018	0.115%	1,044,606	290,795	359.22%	43.05%
2017	0.116%	941,961	203,353	463.21%	46.40%
2016	0.139%	1,137,476	280,270	405.85%	42.00%
2015	0.136%	967,436	268,162	360.77%	44.52%
2014	0.117%	1,055,202	268,162	393.49%	47.94%

SCHEDULE OF THE TOWN'S CONTRIBUTIONS TO PENSION PLAN

Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2022	\$ 77,089	\$ 77,089	\$ -	\$ 275,760	27.96%
2021	78,584	78,584	-	307,375	25.57%
2020	70,935	70,935	-	262,901	26.98%
2019	64,138	64,138	-	290,795	22.06%
2018	58,451	58,451	-	203,353	28.74%
2017	65,966	65,966	-	280,270	23.54%
2016	61,314	61,314	-	268,162	22.86%
2015	70,077	70,077	-	268,162	26.13%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditors' report.

TOWN OF OAKHAM, MASSACHUSETTS

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

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
Revenues:						
Real estate and personal property	\$ 3,221,455	\$ 3,221,455	\$ 3,260,911		\$ 3,260,911	\$ 39,456
Intergovernmental	347,159	347,159	352,060		352,060	4,901
Motor vehicle and other excises	277,000	277,000	335,391		335,391	58,391
Licenses and permits	9,000	9,000	12,232		12,232	3,232
Departmental and other revenue	148,000	148,000	193,577		193,577	45,577
Penalties and interest	20,000	20,000	24,201		24,201	4,201
Fines and forfeitures	6,000	6,000	4,645		4,645	(1,355)
Investment income	1,500	1,500	697		697	(803)
Total Revenues	<u>4,030,114</u>	<u>4,030,114</u>	<u>4,183,714</u>		<u>4,183,714</u>	<u>153,600</u>
Expenditures:						
General government	546,158	546,158	431,115	\$ 45,062	476,177	69,981
Public safety	551,608	551,608	492,296	6,718	499,014	52,594
Education	2,521,966	2,521,966	2,521,966	-	2,521,966	-
Public works	354,558	354,558	341,462	1,178	342,640	11,918
Health and human services	40,084	40,084	28,220	-	28,220	11,864
Culture and recreation	91,491	91,491	88,631	-	88,631	2,860
Fringe and pension benefits	163,509	163,509	122,303	-	122,303	41,206
State and county tax assessments	3,408	3,408	3,081	-	3,081	327
Debt service	34,922	34,922	33,622	-	33,622	1,300
Total Expenditures	<u>4,307,704</u>	<u>4,307,704</u>	<u>4,062,696</u>	<u>52,958</u>	<u>4,115,654</u>	<u>192,050</u>
Other Financing Sources (Uses):						
Transfers in	52,731	52,731	52,731		52,731	-
Transfers out	(167,000)	(167,000)	(167,000)		(167,000)	-
Total Other Financing Sources (Uses)	<u>(114,269)</u>	<u>(114,269)</u>	<u>(114,269)</u>		<u>(114,269)</u>	<u>-</u>
(DEFICIENCY) EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE						
	<u>(391,859)</u>	<u>(391,859)</u>	<u>\$ 6,749</u>		<u>\$ (46,209)</u>	<u>\$ 345,650</u>
Other Budgetary Items:						
Prior year encumbrances	38,235	38,235				
Free cash transfers	353,615	353,615				
Other	9	9				
Total Other Budgetary Items	<u>391,859</u>	<u>391,859</u>				
Net Budget	<u>\$ -</u>	<u>\$ -</u>				

See accompanying independent auditors' report.

TOWN OF OAKHAM, MASSACHUSETTS

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2022**

I. Budgetary Basis of Accounting

Budgetary Information – An annual budget is legally adopted for the general fund and each enterprise fund. Financial orders are approved by Town Meeting. Expenditures may not legally exceed appropriations at the department level or in the categories of personnel and non-personnel expenses. Department heads may transfer, without Town Meeting approval, appropriation balances from one account to another within their department or budget, and within the categories of personnel and non-personnel. The Town Meeting however must approve any transfer of unencumbered appropriation balances between departments or agencies. At the close of each fiscal year, unencumbered appropriation balances lapse and revert to unassigned fund balance.

Budgetary-to-GAAP Reconciliation – The Town’s general fund is prepared on a basis of accounting other than GAAP to conform to the Uniform Municipal Accounting System basis of accounting as prescribed by the Massachusetts Department of Revenue. A reconciliation of the budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2022, is as follows:

	<u>Basis of Accounting Differences</u>	<u>Fund Perspective Differences</u>	<u>Total</u>
Revenues on a budgetary basis			\$ 4,183,715
Stabilization revenue	-	(9,766)	(9,766)
Revenues on a GAAP basis	<u>\$ -</u>	<u>\$ (9,766)</u>	<u>\$ 4,173,949</u>
Expenditures on a GAAP basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,062,697</u>
Other financing sources (uses) on a budgetary basis			\$ (115,175)
Stabilization transfers	-	167,000	167,000
Other financing sources (uses) on a GAAP basis	<u>\$ -</u>	<u>\$ 167,000</u>	<u>\$ 51,825</u>

Expenditures were the same on both a budgetary-basis and GAAP-basis and therefore no reconciliation is presented above.