

TOWN OF ROCHESTER, MASSACHUSETTS

**REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS**

JUNE 30, 2022

**TOWN OF ROCHESTER, MASSACHUSETTS
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Select Board
Town of Rochester, Massachusetts

Report on the Audit of the Financial Statements

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 Rochester, Massachusetts, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Rochester, 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, each major fund, and the aggregate remaining fund information of the Town of Rochester, Massachusetts, as of June 30, 2022, and the respective changes in financial position 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 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Rochester, Massachusetts 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 of Rochester, Massachusetts's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's 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 auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards 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 of Rochester, Massachusetts'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 of Rochester, Massachusetts'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 Plymouth County Retirement Association schedules - Town's proportionate share of the net pension liability, and Town's contribution, Massachusetts Teachers Retirement System's schedule of the Commonwealth's Collective amounts of the Net Pension Liability, Other Postemployment Benefit Schedules - Town's Net OPEB Liability and Related Ratios, Town's contribution, and investment return, and notes to required supplementary information on pages 4 – 14, 68 – 69, 70, 71 – 73 and 74 - 75 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

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

A handwritten signature in blue ink that reads "Robert E. Brown II". The signature is written in a cursive style with a large, stylized "R" and "B".

Robert E. Brown II, CPA

May 9, 2023

Management's Discussion and Analysis

As management of the Town of Rochester (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 this information in addition to the statements and notes.

The Town complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). GASB is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Users of these financial statements, such as investors and rating agencies, rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users can assess the financial condition of one government compared to others.

Financial Highlights

The combined total net position of the Town exceeded the combined total liabilities by \$12.30 million, an increase of \$1.97 million or 19.03% more than the combined net position for the previous fiscal year. A total of \$24.90 million or 202.40% of this sum represents the Town's net investment in capital assets. A total of \$4.16 million or 33.83% is legally reserved or designated for specific future uses by the Town. A total of \$(16.76) million or -136.23% is unrestricted.

Total revenues for the year for all funds was \$28.14 million, \$1.16 million or 4.32% more than the total revenues for the fiscal year ended June 30, 2021.

| | Fiscal Year Ended June 30, 2022 | % | Fiscal Year Ended June 30, 2021 | % |
|--|---------------------------------------|----------------|---------------------------------------|----------------|
| | | Total | | Total |
| Property taxes | \$ 15,067,793 | 53.55% | \$ 14,369,279 | 53.27% |
| Motor vehicle excise taxes | 1,123,161 | 3.99% | 1,090,742 | 4.04% |
| Penalties and interest | 26,981 | 0.10% | 36,963 | 0.14% |
| Payments in lieu of taxes | 4,308,112 | 15.31% | 4,094,886 | 15.18% |
| Charges for services | 1,239,013 | 4.40% | 1,192,961 | 4.42% |
| Operating grants and contributions | 5,588,162 | 19.86% | 5,646,387 | 20.93% |
| Capital grants and contributions | 86,215 | 0.31% | - | 0.00% |
| Nonrestricted grants and contributions | 632,324 | 2.25% | 534,681 | 1.98% |
| Unrestricted investment income and other | 68,493 | 0.24% | 8,551 | 0.03% |
| Total revenues | \$ 28,140,254 | 100.00% | \$ 26,974,450 | 100.00% |

Total expenses for the year for all funds was \$26.17 million, -\$0.96 million or 3.55% less than the total expenditures for the fiscal year ended June 30, 2021.

| | Fiscal Year Ended June 30, 2022 | | Fiscal Year Ended June 30, 2021 | |
|------------------------------|---------------------------------------|----------------|---------------------------------------|----------------|
| | | % Total | | % Total |
| General government | \$ 2,328,316 | 8.90% | \$ 2,122,869 | 7.82% |
| Public safety | 3,221,802 | 12.31% | 3,166,692 | 11.67% |
| Education | 14,620,663 | 55.86% | 14,952,871 | 55.10% |
| Public works | 1,421,151 | 5.43% | 1,336,854 | 4.93% |
| Human services | 594,793 | 2.27% | 414,741 | 1.53% |
| Culture and recreation | 339,638 | 1.30% | 323,685 | 1.19% |
| Employee benefits | 3,278,001 | 12.52% | 4,407,340 | 16.24% |
| State and county assessments | 125,606 | 0.48% | 132,140 | 0.49% |
| Interest | 243,600 | 0.93% | 278,477 | 1.03% |
| Total expenses | \$ 26,173,570 | 100.00% | \$ 27,135,669 | 100.00% |

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Rochester’s basic financial statements. The Town of Rochester’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The government-wide financial statements provide both short-term and long-term information about the Town. The fund financial statements focus on the individual parts of the Town government, reporting the operations in more detail than the government-wide statements. Both presentations (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison, and improve the Town’s accountability.

Government-Wide Financial Statements

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

Statement of Net Position – Presents all of the government’s assets and liabilities, with the difference being reported as “net position”. The amount of net position is widely considered a good measure of the Town’s financial health. Over time increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating. The reader should also consider other non-financial factors, such as the condition of the Town’s infrastructure and changes in the property tax base, to assess the overall health of the Town.

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 the cash flows. Thus, revenues and expenses are reported for some items that will not result in cash flows until future fiscal periods (i.e. uncollected taxes and earned but unused vacation leave).

In the government-wide statements, financial information is presented in one column in order to summarize the Town’s programs or activities. The type of activities presented is as follows:

Governmental Activities – Taxes and intergovernmental revenues primarily support the functions of the government and are reported in this section. Most of the Town’s basic services are reported here including general government, public safety, education, public works, human services, culture and recreation, debt service, state and county charges, employee benefits, and interest.

Fund Financial Statements

Traditional readers of government financial statements will find the fund financial statement presentation to be most familiar. 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 of Rochester, like most other local governments, uses a fund accounting system 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 – Most of the basic services provided by the Town are financed through 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 spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information is useful in evaluating the Town’s near-term financing requirements. This approach reflects the modified accrual basis of accounting, which uses the flow of current financial resources measurement focus. Such statements provide a detailed short-term view of the Town’s finances that assist in determining whether there will be adequate financial resources available to meet current needs.

Because the focus of governmental funds financial statements is narrower than that of 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. This comparison will assist the reader in understanding the long-term impact 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 the comparison between governmental funds and governmental activities.

The Town maintains two (2) major governmental funds that are presented separately in the governmental funds financial statements. The remaining non-major funds are combined into a single, aggregated presentation.

The Town adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

Fiduciary Funds – Such funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Town's programs.

Notes to 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.

Government-Wide Financial Analysis

Statement of Net Position

Net position may serve over time as a useful indicator of a government's financial position. The Town's total net position as of June 30, 2022 were \$12.30 million.

The largest portion of the Town's net position (202.40%) reflects its investment in capital assets (land and land rights, buildings, capital improvements other than buildings, machinery and equipment, vehicles, software, and infrastructure); less any related debt used to acquire those assets that remains outstanding. The Town uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. It is important to note that other resources are needed to repay the debt because the capital assets cannot be used to finance these liabilities.

A modest amount of the Town's net position (33.83%) are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (-136.23%) is in a deficit due to postemployment benefits and net pension liabilities liabilities.

Total current assets within the governmental activities were \$10.69 million and included cash & investments of \$9.71 million and receivables net of allowances of \$0.98 million.

Total current liabilities within the governmental activities were \$3.00 million, and included accounts payable of \$1.52 million, compensated absences of \$0.04 million, accrued interest of \$0.10 million, other liabilities of \$0.02 million, and bonds and notes payable of \$1.32 million. Noncurrent liabilities within the governmental activities were \$26.97 million, including \$15.78 million of postemployment benefits, \$5.27 million of net pension liability, \$0.28 million of compensated absences, and \$5.59 million of general obligation bonds payable.

Comparative Net Position

| | Governmental Activities | |
|---|------------------------------------|---------------|
| | FY 2022 | FY 2021 |
| Assets: | | |
| Current assets | \$ 10,694,144 | \$ 9,244,991 |
| Noncurrent assets (excluding capital) | 12,012 | - |
| Net investments in capital assets | 31,849,112 | 32,770,558 |
| Total assets | 42,555,268 | 42,015,549 |
| Deferred Outflow of Resources | 2,587,374 | 2,982,683 |
| Liabilities: | | |
| Current liabilities (excluding debt) | 1,668,552 | 2,334,694 |
| Noncurrent liabilities (excluding debt) | 21,327,164 | 22,637,245 |
| Current debt | 1,331,278 | 1,514,749 |
| Noncurrent debt | 5,642,081 | 6,390,000 |
| Total liabilities | 29,969,075 | 32,876,688 |
| Deferred Inflows of Resources | 2,871,008 | 1,785,669 |
| Net Position: | | |
| Net investment in capital assets | 24,900,772 | 24,867,936 |
| Restricted | 4,162,182 | 2,785,045 |
| Unrestricted | (16,760,395) | (17,317,106) |
| Total net position | \$ 12,302,559 | \$ 10,335,875 |

Governmental activities current assets increased by \$1.45 million as compared with FY2021. Capital assets, net of depreciation, decreased by -\$0.92 million.

Governmental activities current liabilities decreased by \$0.67 million as compared with the prior year. Noncurrent liabilities decreased by \$2.06 million, primarily resulting from a \$0.92 million decrease in debt service obligations combined with a \$0.36 million decrease in postemployment and a \$0.90 decrease in pension benefits.

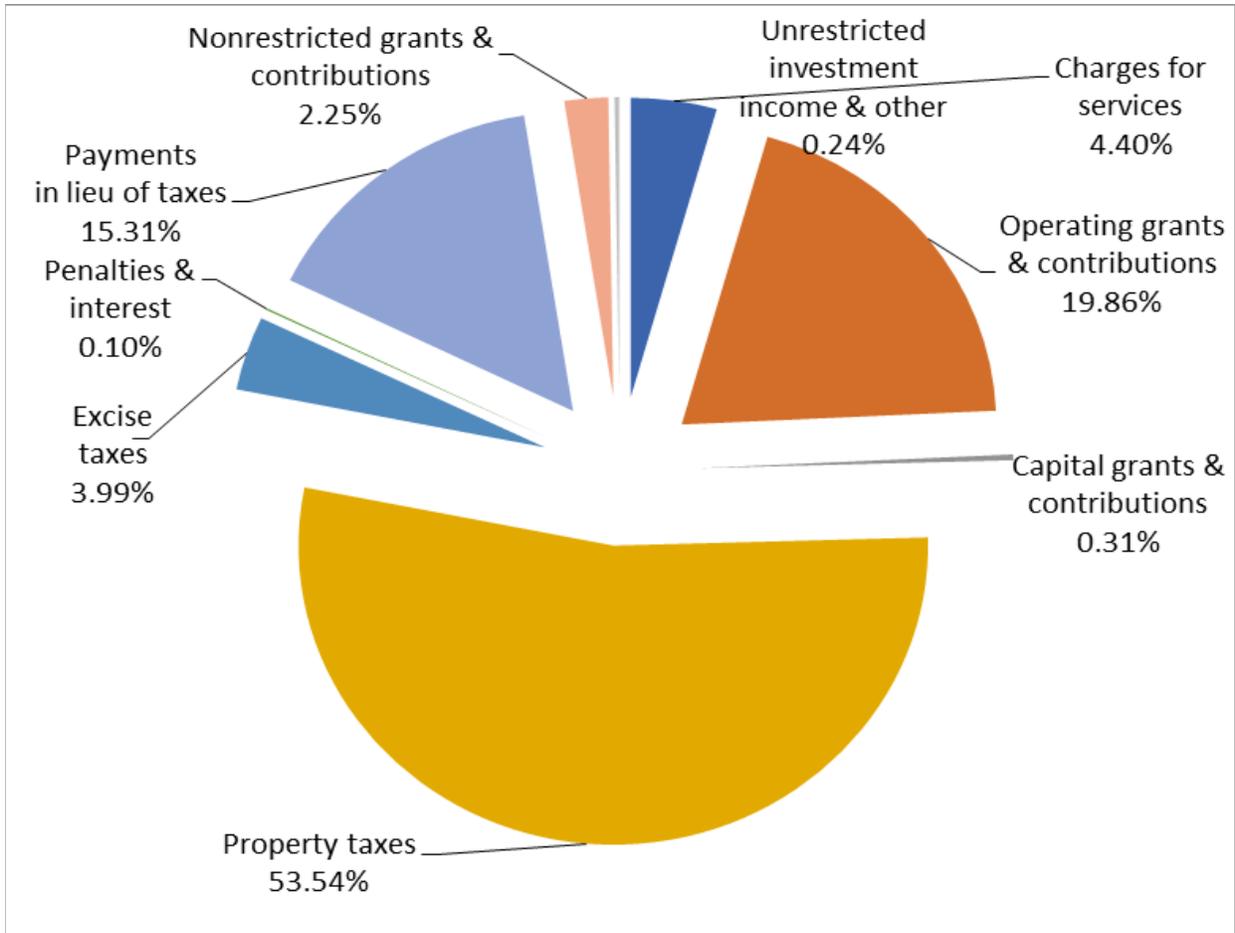
Governmental activities total net position increased by \$1.97 million or 19.03% as compared with the prior year.

Governmental activities decreased the Town of Rochester's net position by \$1,966,684.

Presented below are the components that contributed to the change in net position, along with comparative data for the previous fiscal year:

| Comparative Changes in Net Position | | | |
|--|------------------------------------|----------------------|-------------------------|
| | Governmental Activities | | Increase/ (Decrease) |
| | FY 2022 | FY 2021 | |
| Revenues | | | |
| <i>Program Revenues:</i> | | | |
| Charges for services | \$ 1,239,013 | \$ 1,192,961 | \$ 46,052 |
| Operating grants and contributions | 5,588,162 | 5,646,387 | (58,225) |
| Capital grants and contributions | 86,215 | - | 86,215 |
| <i>General Revenues:</i> | | | |
| Real Estate and personal property taxes | 15,067,793 | 14,369,279 | 698,514 |
| Motor vehicle excise taxes | 1,123,161 | 1,090,742 | 32,419 |
| Penalties and interest | 26,981 | 36,963 | (9,982) |
| Payments in lieu of taxes | 4,308,112 | 4,094,886 | 213,226 |
| Nonrestricted grants and contributions | 632,324 | 534,681 | 97,643 |
| Unrestricted investment income & other | 68,493 | 8,551 | 59,942 |
| Total Revenues | 28,140,254 | 26,974,450 | 1,165,804 |
| Expenses: | | | |
| General Government | 2,328,316 | 2,122,869 | 205,447 |
| Public Safety | 3,221,802 | 3,166,692 | 55,110 |
| Education | 14,620,663 | 14,952,871 | (332,208) |
| Public Works | 1,421,151 | 1,336,854 | 84,297 |
| Human Services | 594,793 | 414,741 | 180,052 |
| Culture and Recreation | 339,638 | 323,685 | 15,953 |
| Employee Benefits | 3,278,001 | 4,407,340 | (1,129,339) |
| State and County Assessments | 125,606 | 132,140 | (6,534) |
| Interest | 243,600 | 278,477 | (34,877) |
| Total Expenses | 26,173,570 | 27,135,669 | (962,099) |
| Change in Net Position | 1,966,684 | (161,219) | 2,127,903 |
| Prior Period Adjustment - Custodial Funds | - | 16,692 | |
| Net Position - beginning | 10,335,875 | 10,480,402 | |
| Net Position - ending | \$ 12,302,559 | \$ 10,335,875 | |

Governmental Activities – FY2022 Revenues

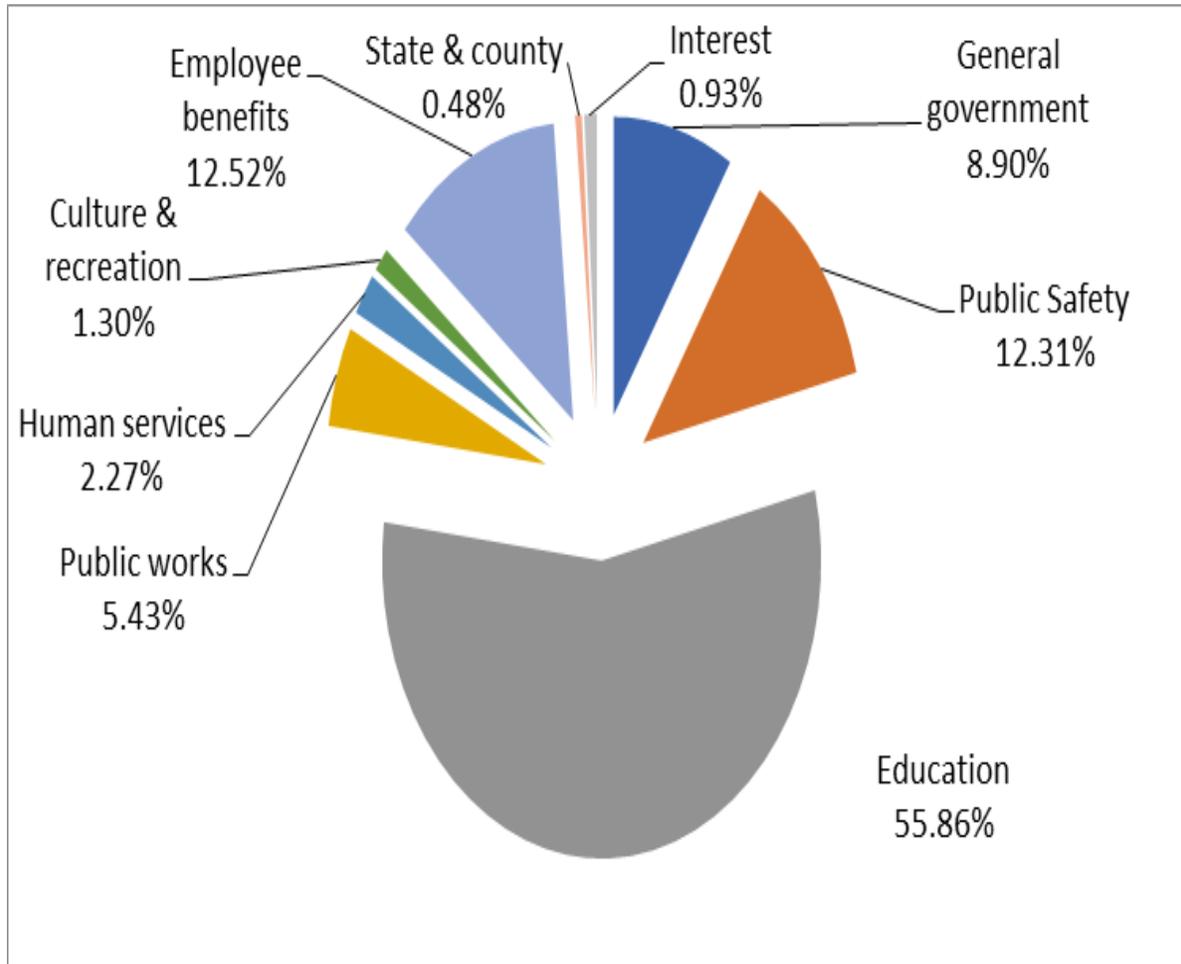


Revenues

Property taxes support over 53% of the Town's governmental activities.

Nearly 66% of the charges for services revenue apply to public safety expenses. Over 55% of the operating grants and contributions revenue supports education, while general government department services represented nearly 23%.

Governmental Activities – FY2022 Expenses



Expenses

Education is by far the largest governmental activity of the Town. Over \$11.37 million in taxes and other revenues were needed to cover the FY2022 operating expenses.

Employee benefits and Public safety represent the second and third largest activities of the Town. Approximately \$2.29 million and \$2.30 million respectively of taxes and other revenues were needed to cover the FY2022 operating expenses.

Financial Analysis of the Government's Funds

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

Governmental Funds

The focus of the Town of Rochester'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 financial requirements. In particular, unassigned fund balance may serve as a useful measure of the net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the Town's governmental funds reported combined ending fund balance of \$8.3 million, an increase of \$2.2 million in comparison with the prior fiscal year.

The General Fund is the chief operating fund of the Town. At the end of the fiscal year, unassigned fund balance was \$4,641,415, while total fund balance was \$7,323,921. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and the total fund balance to total fund expenditures.

Fiduciary Funds

Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Town's programs. This reflects activities on resources held for the benefit of parties outside the government.

General Fund Budgetary Highlights

The original general fund budget was increased by \$533,378 to the final budget of approximately \$23.51 million. Modest increases were approved for general government, public safety, education, public works, human services, and culture & recreation. Employee benefits was modestly reduced.

Actual revenues were more than budgetary amounts by \$1,644,903, and expenditures were less than budgetary amounts by \$136,946. Most revenue types yielded favorable results; in particular, payments in lieu of taxes and departmental & other exceeded estimates by \$718,112 and \$451,097 respectively. Most departments realized modest budget savings; in particular, human services, education, public safety, and general government activities realized favorable results of \$39,412, \$38,475, \$29,530 and \$27,908 respectively.

Capital Asset and Debt Administration

Capital Assets

The Town's investment in capital assets for its governmental activities as of June 30, 2022 amount to \$31,849,112 (net of accumulated depreciation). This investment includes land and land rights, buildings, capital improvements other than buildings, machinery and equipment, vehicles, infrastructure, and software. The total decrease in the Town's investment for the fiscal year was approximately \$0.92 million. During FY2022 approximately \$0.53 million of building improvements, equipment and vehicles were added; depreciation expense was \$1.45 million.

Capital Assets (Net of Accumulated Depreciation)

| Governmental activities | FY 2022 | FY 2021 | Increase/ (Decrease) |
|---|----------------------|----------------------|---------------------------------|
| Land and land rights | \$ 2,819,300 | \$ 2,819,300 | \$ - |
| Buildings | 23,615,208 | 24,414,909 | (799,701) |
| Capital improvements other than buildings | 173,060 | 174,121 | (1,061) |
| Machinery and equipment | 312,217 | 360,669 | (48,452) |
| Vehicles | 1,451,511 | 1,283,738 | 167,773 |
| Software | 13,335 | 19,489 | (6,154) |
| Infrastructure | 3,464,481 | 3,698,332 | (233,851) |
| Total Capital Assets | \$ 31,849,112 | \$ 32,770,558 | \$ (921,446) |

Debt

At the end of the fiscal year the Town had a total bonded debt outstanding of \$6,390,000. The entire amount is classified as general obligation debt and is backed by the full faith and credit of the government. The Town has no revenue bonds outstanding, which are bonds secured solely by specified revenue sources. The Town did not issue debt during FY2022.

| Outstanding Debt at Year End | | |
|--|--------------------------------------|--------------------------------------|
| Governmental Activities | Outstanding June 30, 2022 | Outstanding June 30, 2021 |
| Land Acquisition 04/15/2004 | \$ 170,000 | \$ 255,000 |
| Refunding bonds 10/30/2009 | - | 130,000 |
| Memorial School feasibility 01/05/2010 | 73,000 | 81,000 |
| Memorial School 01/05/2010 | 4,597,000 | 5,089,000 |
| Multi-purpose 01/01/2013 | 1,550,000 | 1,750,000 |
| Total Governmental Activities | \$ 6,390,000 | \$ 7,305,000 |

At the end of the fiscal year the Town has one loan authorized and unissued for \$898,400 for the purchase of an ambulance.

The Town has an “Aa3” credit rating from Moody’s Investors Service and an “AA+” rating from Standard & Poors.

Additional information on the Town’s debt service can be found in the *Notes to the Financial Statements* (**Note 8** – Short-term financing and **Note 9** – Long-term debt).

Economic Factors and Next Year’s Budget and Rates

The Town’s per capita income was \$44,102, compared with \$48,262 for the state. The unemployment rate for the Town was 4.86%, compared with state rate of 5.74%.

The average 2022 single family home in Rochester was valued at \$471,053, with an average annual tax bill of \$6,001. Overall property values increased in FY2022 by 10.18% as compared with the prior year.

The Town has a balanced budget for FY2023 and anticipates continued fiscal challenges to maintain FY2024 operations.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town of Rochester’s finances. Questions concerning the information provided in this report or requests for additional information should be addressed to the Office of the Town Accountant, 1 Constitution Way, Rochester, MA 02770.

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

| | PRIMARY GOVERNMENT |
|---|------------------------------------|
| ASSETS | GOVERNMENTAL ACTIVITIES |
| CURRENT: | |
| CASH AND SHORT-TERM INVESTMENTS | \$ 8,629,432 |
| INVESTMENTS | 1,082,658 |
| RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES: | |
| REAL ESTATE AND PERSONAL PROPERTY TAXES | 24,696 |
| TAX LIENS | 120,155 |
| MOTOR VEHICLE EXCISE TAXES | 81,303 |
| USER FEES | 98,438 |
| DEPARTMENTAL AND OTHER | 424,302 |
| INTERGOVERNMENTAL | 230,491 |
| SPECIAL ASSESSMENTS | 2,669 |
| NONCURRENT: | |
| RECEIVABLES | |
| SPECIAL ASSESSMENTS | 12,012 |
| CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION | 31,849,112 |
| TOTAL ASSETS | 42,555,268 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| RELATED TO POST EMPLOYMENT BENEFITS | 1,697,746 |
| RELATED TO PENSIONS | 889,628 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 2,587,374 |
| LIABILITIES | |
| CURRENT: | |
| ACCOUNTS PAYABLE | 1,519,735 |
| OTHER LIABILITIES | 5,435 |
| ACCRUED INTEREST | 104,739 |
| CAPITAL LEASES PAYABLE | 12,878 |
| BONDS AND NOTES PAYABLE | 1,318,400 |
| COMPENSATED ABSENCES | 38,643 |
| NONCURRENT: | |
| CAPITAL LEASES PAYABLE | 52,081 |
| BONDS AND NOTES PAYABLE | 5,590,000 |
| COMPENSATED ABSENCES | 283,384 |
| POSTEMPLOYMENT BENEFITS | 15,776,806 |
| NET PENSION LIABILITY | 5,266,974 |
| TOTAL LIABILITIES | 29,969,075 |
| DEFERRED INFLOWS OF RESOURCES: | |
| RELATED TO POST EMPLOYMENT BENEFITS | 1,383,983 |
| RELATED TO PENSIONS | 1,487,025 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 2,871,008 |
| NET POSITION | |
| NET INVESTMENT IN CAPITAL ASSETS | 24,900,772 |
| RESTRICTED FOR: | |
| PERMANENT FUNDS: | |
| EXPENDABLE | 92,010 |
| NONEXPENDABLE | 85,994 |
| OTHER PURPOSES | 3,984,178 |
| UNRESTRICTED | (16,760,395) |
| TOTAL NET POSITION | \$ 12,302,559 |

See accompanying notes to the basic financial statements

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

| <u>FUNCTIONS/PROGRAMS</u> | PROGRAM REVENUES | | | | NET (EXPENSE) REVENUE |
|-----------------------------------|--------------------------|---------------------------------|---|---|----------------------------------|
| | EXPENSES | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS | |
| PRIMARY GOVERNMENT: | | | | | |
| GOVERNMENTAL ACTIVITIES: | | | | | |
| GENERAL GOVERNMENT | \$ 2,328,316 | \$ 139,779 | \$ 1,272,976 | \$ - | \$ (915,561) |
| PUBLIC SAFETY | 3,221,802 | 814,507 | 103,728 | - | (2,303,567) |
| EDUCATION | 14,620,663 | 160,092 | 3,089,258 | - | (11,371,313) |
| PUBLIC WORKS | 1,421,151 | 5,007 | (2,201) | - | (1,418,345) |
| HUMAN SERVICES | 594,793 | 102,549 | 109,658 | 86,215 | (296,371) |
| CULTURE & RECREATION | 339,638 | 17,079 | 23,194 | - | (299,365) |
| EMPLOYEE BENEFITS | 3,278,001 | - | 991,549 | - | (2,286,452) |
| STATE & COUNTY ASSESSMENTS | 125,606 | - | - | - | (125,606) |
| INTEREST | 243,600 | - | - | - | (243,600) |
| TOTAL GOVERNMENTAL ACTIVITIES | <u>\$ 26,173,570</u> | <u>\$ 1,239,013</u> | <u>\$ 5,588,162</u> | <u>\$ 86,215</u> | <u>\$ (19,260,180)</u> |

See accompanying notes to the basic financial statements

(continued)

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

| | PRIMARY GOVERNMENT |
|--|------------------------------------|
| | GOVERNMENTAL ACTIVITIES |
| CHANGES IN NET ASSETS: | |
| NET (EXPENSE) REVENUE FROM PREVIOUS PAGE | \$ (19,260,180) |
| GENERAL REVENUES: | |
| REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS PAYABLE | 14,998,663 |
| TAX LIENS | 69,130 |
| MOTOR VEHICLE EXCISE TAXES | 1,123,161 |
| PENALTIES AND INTEREST ON TAXES | 26,981 |
| PAYMENTS IN LIEU OF TAXES | 4,308,112 |
| GRANTS AND CONTRIBUTIONS NOT RESTRICTED TO SPECIFIC PROGRAMS | 632,324 |
| UNRESTRICTED INVESTMENT INCOME | 2,388 |
| CONTRIBUTIONS TO PERMANENT FUNDS | 2,400 |
| MISCELLANEOUS | 63,705 |
| TOTAL GENERAL REVENUES AND TRANSFERS | 21,226,864 |
| CHANGE IN NET POSITION | 1,966,684 |
| NET POSITION: | |
| BEGINNING OF YEAR | 10,335,875 |
| END OF YEAR | \$ 12,302,559 |

See accompanying notes to the basic financial statements

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

| ASSETS | GENERAL | MAJOR FUND FIRE VEHICLE | NONMAJOR GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|--|---------------------|--|--|---|
| CASH AND SHORT-TERM INVESTMENTS | \$ 7,374,536 | \$ - | \$ 1,254,896 | \$ 8,629,432 |
| INVESTMENTS | 896,221 | - | 186,437 | 1,082,658 |
| RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES: | | | | |
| REAL ESTATE AND PERSONAL PROPERTY TAXES | 24,696 | - | - | 24,696 |
| TAX LIENS | 120,155 | - | - | 120,155 |
| MOTOR VEHICLE EXCISE TAXES | 81,303 | - | - | 81,303 |
| USER FEES | 98,438 | - | - | 98,438 |
| DEPARTMENTAL AND OTHER | 424,302 | - | - | 424,302 |
| INTERGOVERNMENTAL | - | - | 230,491 | 230,491 |
| SPECIAL ASSESSMENTS | - | - | 14,681 | 14,681 |
| TOTAL ASSETS | \$ 9,019,651 | \$ - | \$ 1,686,505 | \$ 10,706,156 |
| | | | | |
| <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u> | | | | |
| LIABILITIES: | | | | |
| ACCOUNTS PAYABLE | \$ 1,337,925 | \$ - | \$ 181,810 | \$ 1,519,735 |
| OTHER LIABILITIES | 5,435 | - | - | 5,435 |
| NOTES PAYABLE | - | 398,400 | 120,000 | 518,400 |
| TOTAL LIABILITIES | 1,343,360 | 398,400 | 301,810 | 2,043,570 |
| DEFERRED INFLOWS OF RESOURCES: | | | | |
| UNAVAILABLE REVENUE | 352,370 | - | 14,681 | 367,051 |
| FUND BALANCES: | | | | |
| NONSPENDABLE | - | - | 85,994 | 85,994 |
| RESTRICTED | - | - | 1,483,900 | 1,483,900 |
| COMMITTED | 620,168 | - | - | 620,168 |
| ASSIGNED | 2,062,338 | - | - | 2,062,338 |
| UNASSIGNED | 4,641,415 | (398,400) | (199,880) | 4,043,135 |
| TOTAL FUND BALANCES | 7,323,921 | (398,400) | 1,370,014 | 8,295,535 |
| | | | | |
| TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES | \$ 9,019,651 | \$ - | \$ 1,686,505 | \$ 10,706,156 |

See accompanying notes to the basic financial statements

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

| | GENERAL | MAJOR FUND FIRE VEHICLE | NONMAJOR GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|--|---------------------|-------------------------------|-----------------------------------|--------------------------------|
| REVENUES: | | | | |
| REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS | \$ 15,073,363 | \$ - | \$ - | \$ 15,073,363 |
| MOTOR VEHICLE EXCISE TAXES | 1,179,877 | - | - | 1,179,877 |
| INTERGOVERNMENTAL | 3,742,943 | - | 2,134,052 | 5,876,995 |
| PENALTIES & INTEREST | 26,981 | - | - | 26,981 |
| PAYMENTS IN LIEU OF TAXES | 4,308,112 | - | - | 4,308,112 |
| CHARGES FOR SERVICES | - | - | 415,689 | 415,689 |
| INVESTMENT INCOME | 5,253 | - | (5,507) | (254) |
| CONTRIBUTIONS & DONATIONS DEPARTMENTAL AND OTHER | - | - | 65,342 | 65,342 |
| | 961,697 | - | 221,617 | 1,183,314 |
| TOTAL REVENUES | 25,298,226 | - | 2,831,193 | 28,129,419 |
| EXPENDITURES: | | | | |
| CURRENT: | | | | |
| GENERAL GOVERNMENT | 1,893,957 | - | 484,359 | 2,378,316 |
| PUBLIC SAFETY | 2,870,168 | - | 230,383 | 3,100,551 |
| EDUCATION | 12,862,031 | - | 1,038,359 | 13,900,390 |
| PUBLIC WORKS | 1,214,231 | - | 28,366 | 1,242,597 |
| HUMAN SERVICES | 475,330 | - | 144,713 | 620,043 |
| CULTURE & RECREATION | 261,997 | - | 45,249 | 307,246 |
| EMPLOYEE BENEFITS | 3,106,180 | - | 8,309 | 3,114,489 |
| STATE & COUNTY ASSESSMENTS | 125,606 | - | - | 125,606 |
| DEBT SERVICE | | | | |
| PRINCIPAL | 915,000 | - | - | 915,000 |
| INTEREST | 259,681 | - | - | 259,681 |
| TOTAL EXPENDITURES | 23,984,181 | - | 1,979,738 | 25,963,919 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 1,314,045 | - | 851,455 | 2,165,500 |
| OTHER FINANCING SOURCES (USES) | | | | |
| PROCEEDS FROM CAPITAL LEASE | 64,959 | - | - | 64,959 |
| OPERATING TRANSFERS IN | 16,000 | 49,800 | 24,000 | 89,800 |
| OPERATING TRANSFERS OUT | (73,800) | - | (16,000) | (89,800) |
| TOTAL OTHER FINANCING SOURCES (USES) | 7,159 | 49,800 | 8,000 | 64,959 |
| NET CHANGE IN FUND BALANCES | 1,321,204 | 49,800 | 859,455 | 2,230,459 |
| FUND BALANCES AT BEGINNING OF YEAR | 6,002,717 | (448,200) | 510,559 | 6,065,076 |
| FUND BALANCES AT END OF YEAR | \$ 7,323,921 | \$ (398,400) | \$ 1,370,014 | \$ 8,295,535 |

See accompanying notes to the basic financial statements

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

| | | |
|---|------------------|-----------------------------|
| TOTAL GOVERNMENTAL FUND BALANCES | | \$ 8,295,535 |
| CAPITAL ASSETS (NET) USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS | | 31,849,112 |
| ACCOUNTS RECEIVABLE ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS | | 367,051 |
| IN THE STATEMENT OF ACTIVITIES, INTEREST IS ACCRUED ON OUTSTANDING LONG-TERM DEBT, WHEREAS IN GOVERNMENTAL FUNDS INTEREST IS NOT REPORTED UNTIL DUE | | (104,739) |
| 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 | (6,390,000) | |
| OTHER POSTEMPLOYMENT BENEFITS (OPEB) | (15,776,806) | |
| NET PENSION LIABILITY | (5,266,974) | |
| DEFERRED OUTFLOWS OF RESOURCES - RELATED TO PENSIONS | 889,628 | |
| DEFERRED INFLOWS OF RESOURCES - RELATED TO PENSIONS | (1,487,025) | |
| DEFERRED OUTFLOWS OF RESOURCES - RELATED TO POST EMPLOYMENT BENEFITS | 1,697,746 | |
| DEFERRED INFLOWS OF RESOURCES - RELATED TO POST EMPLOYMENTS BENEFITS | (1,383,983) | |
| CAPITAL LEASE PAYABLE | (64,959) | |
| COMPENSATED ABSENCES | <u>(322,027)</u> | |
| NET EFFECT OF REPORTING LONG-TERM LIABILITIES | | <u>(28,104,400)</u> |
| NET POSITION OF GOVERNMENTAL ACTIVITIES | | <u>\$ 12,302,559</u> |

See accompanying notes to the basic financial statements

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 2,230,459

GOVERNMENTAL FUNDS REPORT CAPITAL OUTLAYS AS EXPENDITURES. HOWEVER, IN THE STATEMENT OF ACTIVITIES THE COST OF THOSE ASSETS IS ALLOCATED OVER THEIR ESTIMATED USEFUL LIVES AND REPORTED AS DEPRECIATION EXPENSE.

| | | |
|--|--------------------|-----------|
| CAPITAL OUTLAY | 526,528 | |
| DEPRECIATION EXPENSE | <u>(1,447,974)</u> | |
| NET EFFECT OF REPORTING CAPITAL ASSETS | | (921,446) |

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 (I.E. REAL ESTATE AND PERSONAL PROPERTY, MOTOR VEHICLE EXCISE, ETC.) DIFFER BETWEEN THE TWO STATEMENTS. THIS AMOUNT REPRESENTS THE NET CHANGE IN DEFERRED REVENUE (52,488)

THE ISSUANCE OF LONG-TERM DEBT (E.G., BONDS) PROVIDES CURRENT FINANCIAL RESOURCES TO GOVERNMENTAL FUNDS, WHILE THE REPAYMENT OF THE PRINCIPAL OF LONG-TERM DEBT CONSUMES THE FINANCIAL RESOURCES OF GOVERNMENTAL FUNDS. NEITHER TRANSACTION, HOWEVER, HAS ANY EFFECT ON NET ASSETS. ALSO, GOVERNMENTAL FUNDS REPORT THE EFFECT OF ISSUANCE COSTS, PREMIUMS, DISCOUNTS, AND SIMILAR ITEMS WHEN DEBT IS FIRST ISSUED, WHEREAS THESE AMOUNTS ARE DEFERRED AND AMORTIZED IN THE STATEMENT OF ACTIVITIES.

| | | |
|---------------------------------------|----------------|---------|
| DEBT SERVICE PRINCIPAL PAYMENTS | <u>915,000</u> | |
| NET EFFECT OF REPORTING LONG-TEM DEBT | | 915,000 |

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 CHANGE IN COMPENSATED ABSENCES ACCRUAL | 58,793 | |
| NET CHANGE IN CAPITAL LEASES PAYABLE | (57,410) | |
| NET CHANGE IN DEFERRED OUTFLOWS OF RESOURCES - RELATED TO PENSIONS | 159,411 | |
| NET CHANGE IN DEFERRED INFLOWS OF RESOURCES - RELATED TO PENSIONS | (780,603) | |
| NET CHANGE IN DEFERRED OUTFLOWS OF RESOURCES - RELATED TO POST EMPLOYMENT BENEFITS | (554,720) | |
| NET CHANGE IN DEFERRED INFLOWS OF RESOURCES - RELATED TO POST EMPLOYMENTS BENEFITS | (304,736) | |
| NET CHANGE IN ACCRUED INTEREST ON LONG-TERM DEBT | 16,081 | |
| NET CHANGE IN OTHER POSTEMPLOYMENT BENEFITS | 355,595 | |
| NET CHANGE IN NET PENSION LIABILITY | <u>902,748</u> | |
| NET EFFECT OF RECORDING LONG-TERM LIABILITIES | | <u>(204,841)</u> |

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,966,684

See accompanying notes to the basic financial statements

**TOWN OF ROCHESTER, MASSACHUSETTS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2022**

| | <u>BUDGETED AMOUNTS</u> | | <u>ACTUAL BUDGETARY AMOUNTS</u> | <u>VARIANCE OVER(UNDER)</u> |
|--|----------------------------|-------------------------|---|---------------------------------|
| | <u>ORIGINAL BUDGET</u> | <u>FINAL BUDGET</u> | | |
| <u>REVENUES:</u> | | | | |
| REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS | \$ 15,001,902 | \$ 15,001,902 | \$ 15,073,363 | \$ 71,461 |
| MOTOR VEHICLE EXCISE TAXES | 825,000 | 825,000 | 1,179,877 | 354,877 |
| PAYMENTS IN LIEU OF TAXES | 3,590,000 | 3,590,000 | 4,308,112 | 718,112 |
| INVESTMENT INCOME | 2,400 | 2,400 | 1,602 | (798) |
| INTERGOVERNMENTAL | 2,711,221 | 2,711,221 | 2,751,394 | 40,173 |
| PENALTIES & INTEREST | 17,000 | 17,000 | 26,981 | 9,981 |
| DEPARTMENTAL AND OTHER | 510,600 | 510,600 | 961,697 | 451,097 |
| TOTAL REVENUES | <u>22,658,123</u> | <u>22,658,123</u> | <u>24,303,026</u> | <u>1,644,903</u> |
| <u>EXPENDITURES:</u> | | | | |
| CURRENT: | | | | |
| GENERAL GOVERNMENT | 1,834,356 | 1,927,186 | 1,899,278 | 27,908 |
| PUBLIC SAFETY | 2,770,782 | 3,080,010 | 3,050,480 | 29,530 |
| EDUCATION | 13,020,685 | 13,071,685 | 13,033,210 | 38,475 |
| PUBLIC WORKS | 1,129,058 | 1,257,663 | 1,273,159 | (15,496) |
| HUMAN SERVICES | 475,866 | 485,866 | 446,454 | 39,412 |
| CULTURE & RECREATION | 256,589 | 264,214 | 259,867 | 4,347 |
| EMPLOYEE BENEFITS | 2,179,930 | 2,114,020 | 2,114,020 | - |
| STATE & COUNTY ASSESSMENTS | 133,375 | 133,375 | 125,606 | 7,769 |
| DEBT SERVICE: | | | | |
| PRINCIPAL | 915,000 | 915,000 | 915,000 | - |
| INTEREST | 264,682 | 264,682 | 259,681 | 5,001 |
| TOTAL EXPENDITURES | <u>22,980,323</u> | <u>23,513,701</u> | <u>23,376,755</u> | <u>136,946</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>(322,200)</u> | <u>(855,578)</u> | <u>926,271</u> | <u>1,781,849</u> |
| <u>OTHER FINANCING SOURCES (USES):</u> | | | | |
| OPERATING TRANSFERS IN | 16,000 | 16,000 | 16,000 | - |
| OPERATING TRANSFERS OUT | (73,800) | (73,800) | (73,800) | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(57,800)</u> | <u>(57,800)</u> | <u>(57,800)</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | <u>(380,000)</u> | <u>(913,378)</u> | <u>868,471</u> | <u>1,781,849</u> |
| BUDGETARY FUND BALANCE, BEGINNING OF YEAR | <u>2,499,994</u> | <u>2,499,994</u> | <u>2,499,994</u> | <u>-</u> |
| BUDGETARY FUND BALANCE, END OF YEAR | <u>\$ 2,119,994</u> | <u>\$ 1,586,616</u> | <u>\$ 3,368,465</u> | <u>\$ 1,781,849</u> |

See accompanying notes to the basic financial statements

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

| | POSTEMPLOYMENT BENEFITS TRUST | PRIVATE PURPOSE TRUST FUNDS |
|------------------------------------|--|--|
| <u>ASSETS</u> | | |
| CASH AND SHORT-TERM INVESTMENTS | \$ 15,000 | \$ - |
| INVESTMENTS | 145,028 | 31,930 |
| TOTAL ASSETS | 160,028 | 31,930 |
| <u>LIABILITIES</u> | | |
| | - | - |
| <u>NET POSITION</u> | | |
| RESTRICTED FOR: | | |
| POSTEMPLOYMENT BENEFITS | 160,028 | - |
| INDIVIDUALS AND OTHER ORGAIZATIONS | - | 31,930 |
| TOTAL NET POSITION | \$ 160,028 | \$ 31,930 |

See accompanying notes to the basic financial statements

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

| | <u>POSTEMPLOYMENT BENEFITS TRUST</u> | <u>PRIVATE PURPOSE TRUST FUNDS</u> |
|--|--|--|
| <u>ADDITIONS:</u> | | |
| CONTRIBUTIONS: | | |
| EMPLOYER CONTRIBUTIONS | \$ 15,000 | \$ - |
| EMPLOYER CONTRIBUTIONS TO PAY FOR OPEB BENEFITS | 429,374 | - |
| NET INVESTMENT INCOME (LOSS): | | |
| INVESTMENT INCOME | <u>(26,288)</u> | <u>(898)</u> |
| TOTAL ADDITIONS | <u>418,086</u> | <u>(898)</u> |
| <u>DEDUCTIONS:</u> | | |
| BENEFIT PAYMENTS | <u>429,374</u> | <u>-</u> |
| NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION | (11,288) | (898) |
| NET POSITION - BEGINNING | <u>171,316</u> | <u>32,828</u> |
| NET POSITION - ENDING | <u>\$ 160,028</u> | <u>\$ 31,930</u> |

See accompanying notes to the basic financial statements

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Rochester, Massachusetts (the Town) 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 recognized standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant Town accounting policies:

A. Reporting Entity

Primary Government

The Town is a municipal corporation that is governed by an elected three member Select Board (the Board). The Board is responsible for appointing a Town Administrator whose responsibility is to manage the day to day operations. For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units, blended or discretely presented, for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are, in substance, part of the government’s operations and discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. It has been determined that there are no component units (blended or discretely presented) for inclusion in the primary government’s financial reporting entity.

Joint Ventures

Municipal joint ventures pool resources to share the costs, risks and rewards of providing services to their participants, the general public or others. The Town is a participant in the following joint ventures:

| <u>Name</u> | <u>Purpose</u> | <u>Address</u> | <u>Annual Assessment</u> |
|--|--|--|--------------------------|
| Old Rochester Regional School District | To provide secondary Education | 135 Marian Road Rochester, MA 02739 | \$ 4,977,803 |
| Old Colony Regional Vocational-Technical High School | To provide vocational education | 476 North Avenue Rochester, MA 02770 | \$ 1,234,433 |
| Marion Rochester Regional Health District | To provide qualified, full time regional sanitarian/health officer | 2 Spring Street Marion, MA 02738 | \$ 13,955 |

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

The Old Rochester Regional School District (the District) is governed by a nine (9) member school committee. The Town of Rochester has three (3) representatives on the District's School Committee. The Town is indirectly liable for debt and other expenditures of the District and is assessed annually for its share of the operating and capital costs. Separate financial statements may be obtained by writing to the Treasurer of the District at the above address. The Town has an equity interest of approximately 36.38% in the joint venture.

The Old Colony Regional Vocational-Technical High School (the District) is governed by a fifteen (15) member school committee. The Town of Rochester has three (3) representatives on the District's School Committee. The Town is indirectly liable for debt and other expenditures of the District and is assessed annually for its share of the operating and capital costs. Separate financial statements may be obtained by writing to the Treasurer of the District at the above address. The Town has an equity interest of approximately 15.49% in the joint venture.

The Marion Rochester Regional Health District (the District) was established by the provisions of Section 27A of Chapter 111 of the Massachusetts General Laws. The District's members include the Town of Marion and the Town of Rochester, and were formed to enable the members to attract and employ a qualified, full-time, regional sanitarian health officer, and to employ others to support the efforts of the District: which may include, but is not limited to, food inspectors, clerks, bookkeepers, accountants, and administrative support. The joint committee of the District is composed of members of the Board of Health from each member-town.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

The Town of Rochester has no business-type activities as of June 30, 2022

Fund Financial Statements

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

Major Fund Criteria

A fund is considered major if it is the primary operating fund of the Town or it meets the following criteria:

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

- a. If the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures of an individual governmental fund are at least 10 percent of the corresponding element (assets and deferred outflows of resources, liabilities and deferred inflows of resources, etc.) for all funds of that category or type (total governmental funds), and
- b. If the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures of the individual governmental fund are at least 5 percent of the corresponding element for all governmental funds combined.

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

Fiduciary funds are reported by fund type.

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

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 particular 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:

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

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

The effect of interfund activity has been removed from the government-wide financial statements.

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

Fund Financial Statements

Governmental Fund Financial Statements

Governmental fund financial statements are reported using the 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., when they become both 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 interest on general long-term debt which is recognized when due, and the non current portion of compensated absences, capital leases, net pension liability, and postemployment benefits which are recognized when the obligations are expected to be liquidated with current expendable available resources.

In applying the susceptible to accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, moneys must be expended on the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures incurred. In the other, moneys are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

The Town considers property taxes as available if they are due and collected within 60 days after fiscal year-end. Licenses and permits, user charges, fines and forfeitures, and miscellaneous revenues are recorded as revenues when received. Investment earnings are recorded as earned.

The Town reports the following major governmental funds:

- The *General fund* is the primary operating fund of the Town. It is used to account for all financial resources, except those that are required to be accounted for in another fund.
- The *Fire Vehicle fund* is used to account for the purchase of a new Fire Pumper Truck.
- The *Nonmajor governmental funds* consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the non-major governmental funds column on the governmental funds financial statements. The following describes the general use of these fund types:
 - The *Special Revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.
 - The *Capital Projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by trust funds).
 - The *Permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

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

Fiduciary Fund Financial Statements

Fiduciary fund 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 by the Town in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

- The *Private-Purpose Trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund (nonmajor governmental funds), under which principal and investment income exclusively benefit individuals, private organizations, or other governments.
- The *Postemployment Benefits Trust fund* is used to account for assets held to fund future postemployment benefits of current and retired employees.

D. Cash and Investments

Government-Wide and Fund Financial Statements

Cash and short term investments are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value.

E. Fair Value Measurements

The Town reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds. Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

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

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. In some instances the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement. Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the Town’s financial instruments, see Note 3 – Fair Market Value of Investments.

F. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are based on values assessed as of each January 1 and are normally due on the subsequent August 1, November 1, February 1, and May 1. Property taxes that remain unpaid after the respective due dates are subject to penalties and interest charges. By law, all taxable property in the Commonwealth must be assessed at 100% of fair market value. Once levied, which is required to be at least 30 days prior to the due date, these taxes are recorded as receivables in the fiscal year of levy. Based on the Town’s experience, most property taxes are collected during the year in which they are assessed. Liening of properties on which taxes remain unpaid occurs annually. The Town ultimately has the right to foreclose on all properties where the taxes remain unpaid.

A statewide property tax limitation statute known as “Proposition 2 ½” limits the amount of increase in property tax levy in any fiscal year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2 ½ % of the total assessed value of all taxable property within the Town. Secondly, the tax levy cannot increase by more than 2 ½ % of the prior year’s levy plus the taxes on property newly added to the tax rolls. Certain provisions of Proposition 2 ½ can be overridden by a Town-wide referendum.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

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

Motor Vehicle Excise

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. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Departmental and Other

Departmental and other receivables consist primarily of the SEMASS receivables and are recorded as receivables in the fiscal year accrued.

Special Assessments

Special assessments consist primarily of Title V betterments and are recorded as receivables in the fiscal years accrued. Since the receivables are secured via the lien process, these assets are considered 100% collectable and therefore do not report an allowance for uncollectibles.

Intergovernmental

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recognized when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

G. Inventories

Government-Wide and Fund Financial Statements

Inventories of the governmental funds are recorded as expenditures at the time of purchase. Such inventories are not material in total to the basic financial statements, and therefore are not reported.

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

H. Capital Assets

Government-Wide Financial Statements

Capital assets, which include land, land rights, buildings and improvements, improvements (other than buildings), machinery and equipment, vehicles, software, and infrastructure (e.g., roadways and similar items), are reported in the governmental activities column of the government-wide 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 fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets if material.

All purchases and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of five years or greater.

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

| Asset Class | Estimated Useful Life (in years) |
|-------------------------------------|---|
| Buildings and Improvements | 10-40 |
| Improvements (other than buildings) | 10-30 |
| Machinery and Equipment | 10 |
| Vehicles | 5-10 |
| Software | 5 |
| Infrastructure | 40 |

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 fiscal year of purchase for the various funds.

I. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual 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.

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

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.

J. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as operating transfers in and operating transfers out.

Government-Wide Financial Statements

Operating transfers between and within governmental funds are eliminated from the governmental activities in the statement of net position.

Fund Financial Statements

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

K. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

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 reported deferred outflows of resources related to postemployment benefits and pensions in this category.

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 reported deferred inflows of resources related to postemployment benefits and pensions in this category.

Governmental Funds Financial Statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents assets that have been recorded in the governmental fund financial statements but the revenue is not available and so will not be recognized as an inflow of resources (revenue) until it becomes available. The Town has recorded unavailable revenue as deferred inflows of resources in the governmental funds balance sheet. Unavailable revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

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

L. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

Net position are classified into three components:

- a. *Net investment in capital assets* – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted net position* – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Net position has been “restricted” for the following:

- *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.
- c. *Unrestricted net position* – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements (Fund Balances)

The Town uses the following criteria for fund balance classification:

- For *non-spendable* fund balance: includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.
- For *restricted* fund balance: when constraints placed on the use of the resources are either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.
- For *committed* fund balance: (1) the government’s highest level of decision-making authority and (2) the formal action that is required to be taken to establish (and modify or rescind) a fund balance commitment.
- For *assigned* fund balance: (1) the body or official authorized to assign amounts to a specific purpose and (2) the policy established by the governing body pursuant to which the authorization is given.

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

- For *unassigned* fund balance: is the residual classification for the general fund. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The Town uses the following criteria for fund balance policies and procedures:

- When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, the unrestricted amount will be considered to have been spent.
- When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balance is available, and the least restricted amount will be considered to have been spent.

M. Long-term debt

Government-Wide Financial Statements

Long-term debt is reported as liabilities in the government-wide statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. 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.

N. Investment Income

Excluding the permanent funds, investment income derived from major and non-major governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Laws (MGL).

O. Compensated Absences

Employees are granted sick and vacation leave in varying amounts. Upon retirement, termination or death, certain employees are compensated for unused sick and vacation leave (subject to certain limitations) at their then current rates of pay.

Government-Wide Financial Statements

The total amount to be paid in future years is presented in the government-wide statement of net position. The liability for vacation leave is based on the amount earned but not used; for sick leave, it is based on the amount accumulated at the balance sheet date (vesting method).

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

Governmental Fund Financial Statements

The portion of the liability related to unused sick and vacation time that has matured or is due as of June 30, 2022 is recorded in the governmental funds financial statement.

P. Pensions

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 Plymouth County Retirement Association (PCRA) and the Massachusetts Teachers Retirement System (MTRS), additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the Systems. 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.

Q. Post Retirement Benefits

Government-Wide and Fund Financial Statements

In addition to providing pension benefits, health, dental, and life insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32B, of Massachusetts General Laws, under various contributory plans. The cost of providing health, dental and life insurance is recognized by recording the employer's 50% share of insurance premiums in the general fund in the fiscal year paid. All benefits are provided through third-party insurance carriers and health maintenance organizations that administer, assume, and pay all claims.

R. Use of Estimates

Government-Wide and Fund Financial Statements

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could vary from estimates that were used.

S. Total Column

Fund Financial Statements

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

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Basis of Accounting

Pursuant to Chapter 44, Section 32 of the Massachusetts General Laws, the Town adopts an annual budget for the general fund. The budgets for all departments and operations of the Town, except that of the public schools, are prepared under the direction of the Board of Selectmen. The School Department budget is prepared under the direction of the School Committee. Assessments from the regional school districts are prepared under the direction of the School Committee, but must be accepted by the Town at Town Meeting. The level of expenditures may not legally exceed appropriations for each department or undertaking in the following categories: (1) salaries and wages; (2) ordinary maintenance; and (3) capital outlays.

The majority of appropriations are non-continuing 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. The carryover articles and encumbrances were not included as part of the subsequent fiscal year's original budget.

Original and supplemental appropriations are enacted upon by a Town Meeting vote. Management may not amend the budget without seeking the approval of the governing body. The Town's Finance Committee can legally transfer funds from its reserve fund to other appropriations within the budget without seeking Town Meeting approvals. The original fiscal year 2022 approved budget authorized \$22,980,323 in current year appropriations and other amounts to be raised. Supplemental appropriations of \$533,378 were approved at one Town Meeting during fiscal year 2022.

The Town Accountant has the responsibility to ensure that budgetary controls are maintained and monitored through the accounting system.

B. Budgetary – GAAP Reconciliation

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

| | |
|--|---------------------|
| Net change in fund balance - budgetary basis | \$ 868,471 |
| Basis of accounting differences: | |
| Net stabilization fund activity | 3,650 |
| Increase in revenue for on-behalf payments - MTRS | 991,549 |
| Increase in expenditures for on-behalf payments - MTRS | (991,549) |
| Adjustment for Current Year Encumbrances | 376,854 |
| Adjustment for Current Year Articles | 512,130 |
| Adjustment for expenditures from prior year authorizations | <u>(439,901)</u> |
| Net change in fund balance - GAAP basis | <u>\$ 1,321,204</u> |

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

C. Deficit Fund Balances

Several individual fund deficits exist within the special revenue and capital project funds. These individual deficits will be eliminated through subsequent fiscal year budget transfers, grants or proceeds of long-term debt during fiscal year 2023.

NOTE 3 – DEPOSITS AND INVESTMENTS

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain levels unless collateralized by the financial institutions involved.

Deposits

▪ *Custodial Credit Risk - Deposits*

Custodial credit risk is the risk that in the event of bank failure, the Town's deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the deposits "in a bank or trust company, or banking company to an amount not exceeding sixty percent (60%) of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess."

The Town does not have a formal deposit policy for custodial credit risk.

The Town carries deposits that are fully insured by the Federal Deposit Insurance Corporation (FDIC), and the Depositor's Insurance Fund (DIF). The Town also carries deposits that are collateralized with securities held by the pledging financial institution's trust department or agent but not in the Town's name.

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

Presented below is the actual rating as of yearend for each investment type of the Town.

| Investment type | Fair value | Minimum Legal Rating | Rating as of Yearend | | | | | |
|-------------------------------------|---------------------|----------------------------|----------------------|------------------|------------------|-----------------|------------------|---------------------|
| | | | A1 | A2 | Aaa | Baa1 | Baa2 | Unrated |
| U.S. Government & Agency Securities | \$ 68,890 | N/A | \$ - | \$ - | \$ 68,890 | \$ - | \$ - | \$ - |
| Corporate Bonds | 86,077 | N/A | 13,647 | 33,787 | - | 9,948 | 28,695 | - |
| Certificates of Deposit | 892,168 | N/A | - | - | - | - | - | 892,168 |
| Fixed Income Mutual Funds | 203,646 | N/A | - | - | - | - | - | 203,646 |
| Money Market Mutual Funds | 8,835 | N/A | - | - | - | - | - | 8,835 |
| Total Investments | \$ 1,259,616 | | \$ 13,647 | \$ 33,787 | \$ 68,890 | \$ 9,948 | \$ 28,695 | \$ 1,104,649 |

b) Custodial Credit Risk

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in possession of an outside party. The Town has no custodial credit risk exposure related to the U.S. Government and Agency Securities, and Corporate Bonds because the related securities are registered in the name of the Town. The fixed income mutual fund and money market mutual fund investments are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The certificates of deposit are not exposed to custodial credit risk as they are fully insured by the FDIC and DIF.

The Town does not have an investment policy for custodial credit risk.

c) Interest Rate Risk

Interest rate risk is the risk of changes in market interest rates which will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the risk of its fair value to change with the market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows:

| Investment type | Fair value | Investment maturities (in years) | |
|--|---------------------|-------------------------------------|------------------|
| | | Less than 1 | 1-5 |
| <i>Debt Related Securities:</i> | | | |
| U.S. Government & Agency | \$ 68,890 | \$ 20,072 | \$ 48,818 |
| Corporate Bonds | 86,077 | 86,077 | - |
| Certificates of Deposit | 892,168 | 885,362 | 6,806 |
| Fixed Income Mutual Funds | 203,646 | 203,646 | - |
| Total Debt Related Securities | 1,250,781 | 1,195,157 | 55,624 |
| <i>Other Investments:</i> | | | |
| Money Market Mutual Funds | 8,835 | 8,835 | - |
| Total Investments | \$ 1,259,616 | \$ 1,203,992 | \$ 55,624 |

d) Concentration of Credit Risk

The Town places no limit on the amount the government may invest in any one issuer. More than 5% of the Town's investments are in the following securities:

| Issuer | Percentage of Total Investments |
|---|---------------------------------------|
| Cape Cod 5- Certificates of Deposit (4) | 69.73% |

Fair Market Value of Investments

The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that the disclosures related to these investments only need to be disaggregated by the major type. The Town chooses a tabular format for disclosing the levels within the fair value hierarchy.

The Town categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. 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 ROCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

The Town has the following recurring fair value measurement as of June 30, 2022.

| Investment Type | June 30, 2022 | Fair Value Measurements Using | | |
|--|---------------|--|---|---|
| | | Quoted Price in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Debt securities | | | | |
| U.S. Government and Agency | \$ 68,890 | \$ 68,890 | \$ - | \$ - |
| Corporate Bonds | 86,077 | 86,077 | - | - |
| Certificates of Deposit | 892,168 | 892,168 | - | - |
| Fixed Income Mutual Funds | 203,646 | - | 203,646 | - |
| Total debt securities | 1,250,781 | 1,047,135 | 203,646 | - |
| Other Investments | | | | |
| Money Market Mutual Funds | 8,835 | 8,835 | - | - |
| Total investments measured at fair value | \$ 1,259,616 | \$ 1,055,970 | \$ 203,646 | \$ - |

U.S. Government and Agency, Certificates of Deposit, Corporate Bonds, and Money Market mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fixed income mutual funds 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.

NOTE 4 – RECEIVABLES

The receivables at June 30, 2022 for the Town’s individual major, and nonmajor governmental funds in the aggregate including the applicable allowances for uncollectible accounts, are as follows:

| Receivables: | Gross Amount | Allowance for Uncollectibles | Net Amount |
|---|-----------------|------------------------------------|---------------|
| Real estate and personal property taxes | \$ 31,096 | \$ (6,400) | \$ 24,696 |
| Tax liens | 120,155 | - | 120,155 |
| Motor vehicle excise taxes | 107,603 | (26,300) | 81,303 |
| Departmental and Other | 424,302 | - | 424,302 |
| User fees | 421,641 | (323,203) | 98,438 |
| Intergovernmental | 230,491 | - | 230,491 |
| Special assessments | 14,681 | - | 14,681 |
| Total | \$ 1,349,969 | \$ (355,903) | \$ 994,066 |

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

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with revenues that have been received, but not yet earned. At the end of the current fiscal year, the component of deferred inflows of resources reported in the governmental funds is as follows:

Deferred Inflows of Resources Analysis

| Deferred Inflows: | General Fund | Nonmajor Governmental Funds | Total |
|-------------------------|-----------------|-----------------------------------|----------------|
| Deferred Property Taxes | \$ 21,191 | \$ - | \$ 21,191 |
| Deferred Other Revenue | 331,179 | 14,681 | 345,860 |
| Total | \$ 352,370 | \$ 14,681 | \$ 367,051 |

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

NOTE 5 – CAPITAL ASSETS

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

| Governmental Activities: | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|---------------------|-------------|----------------------|
| <i>Capital assets not being depreciated:</i> | | | | |
| Land rights | \$ 1,800,000 | \$ - | \$ - | \$ 1,800,000 |
| Land | 1,019,300 | - | - | 1,019,300 |
| Total capital assets not being depreciated | 2,819,300 | - | - | 2,819,300 |
| <i>Capital assets being depreciated:</i> | | | | |
| Buildings and improvements | 40,047,119 | 251,996 | - | 40,299,115 |
| Infrastructure | 5,295,332 | - | - | 5,295,332 |
| Improvements (other than buildings) | 821,729 | 38,500 | - | 860,229 |
| Software | 30,772 | - | - | 30,772 |
| Machinery and equipment | 1,328,907 | 14,300 | - | 1,343,207 |
| Vehicles | 4,003,934 | 380,232 | (158,500) | 4,225,666 |
| Total capital assets being depreciated | 51,527,793 | 685,028 | (158,500) | 52,054,321 |
| <i>Less accumulated depreciation for:</i> | | | | |
| Buildings and improvements | (15,632,210) | (1,051,697) | - | (16,683,907) |
| Infrastructure | (1,597,000) | (233,851) | - | (1,830,851) |
| Capital improvements (other than buildings) | (647,608) | (39,561) | - | (687,169) |
| Software | (11,283.00) | (6,154) | - | (17,437) |
| Machinery and equipment | (968,238) | (62,752) | - | (1,030,990) |
| Vehicles | (2,720,196) | (212,459) | 158,500 | (2,774,155) |
| Total accumulated depreciation | (21,576,535) | (1,606,474) | 158,500 | (23,024,509) |
| Total capital assets being depreciated, net | 29,951,258 | (921,446) | - | 29,029,812 |
| Total governmental activities capital assets, net | <u>\$ 32,770,558</u> | <u>\$ (921,446)</u> | <u>\$ -</u> | <u>\$ 31,849,112</u> |

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

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

| Governmental Activities: | |
|--|----------------------------|
| General government | \$ 32,864 |
| Public safety | 256,356 |
| Education | 896,938 |
| Public works | 336,124 |
| Human Services | 51,800 |
| Culture & Recreation | <u>32,392</u> |
| Total depreciation expense - governmental activities | <u><u>\$ 1,606,474</u></u> |

NOTE 6 – CAPITAL LEASES

The Town has entered into lease agreements as lessee for financing the acquisition of a 2022 Nissan Sentra and a 2022 Chevy Tahoe. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

The assets acquired through capital lease agreements are as follows:

| | <u>Governmental Activities</u> |
|--------------------------------|------------------------------------|
| Assets: | |
| Vehicles | \$ 71,016 |
| Less: Accumulated depreciation | <u>(2,512)</u> |
| | <u><u>\$ 68,504</u></u> |

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

The future minimum lease obligation and the net present value of the minimum lease payment as of June 30, 2022, is as follows:

| Year Ending June 30 | Governmental Activities |
|---|----------------------------|
| 2023 | \$ 14,536 |
| 2024 | 14,536 |
| 2025 | 14,536 |
| 2026 | 14,535 |
| 2027 | 8,536 |
| 2028 | 8,536 |
| Total minimum lease payments | 75,215 |
| Less: amounts representing interest | (10,256) |
| Present value of minimum lease payments | \$ 64,959 |

NOTE 7 – INTERFUND TRANSFERS

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

| Operating Transfers Out: | Operating Transfers In: | | | Total |
|-----------------------------|-------------------------|-------------------------------|-----------------------------------|---------------|
| | General Fund | Major Fund Fire Vehicle | Nonmajor Governmental Funds | |
| Nonmajor Governmental Funds | \$ 16,000 | \$ - | \$ - | \$ 16,000 (1) |
| General Fund | - | 49,800 | 24,000 | 73,800 (2) |
| | \$ 16,000 | \$ 49,800 | \$ 24,000 | \$ 89,800 |

- (1) Represents budgeted transfers to supplement the operating budget.
(2) Represents budgeted transfer to the Capital Projects

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

NOTE 8 – SHORT-TERM FINANCING

Under state law, and with the appropriate authorization, the Town is authorized to borrow funds on a temporary basis as follows:

- To fund current operations prior to the collection of revenues by issuing revenue anticipation notes (RANS).
- To fund grants prior to reimbursement by issuing grant anticipation notes (GANS).
- To fund Capital project costs incurred prior to selling permanent debt by issuing bond anticipation notes (BANS).
- To fund current project costs and other approved expenditures incurred, that are anticipated to be reimbursed by the Commonwealth through the issuance of State Aid anticipation notes (SAANS).

The following is a summary of changes in short-term debt for the year ended June 30, 2022:

| Type | Purpose | Rate (%) | Due Date | Balance at June 30, 2021 | Renewed/ Issued | Retired/ Redeemed | Balance at June 30, 2022 |
|-------|--------------|----------|------------|--------------------------|-------------------|---------------------|--------------------------|
| BAN | Ambulance | 0.59% | 7/2/2021 | \$ 144,000 | \$ - | \$ (144,000) | \$ - |
| BAN | Pumper Truck | 0.95% | 10/22/2021 | 448,200 | - | (448,200) | - |
| BAN | Ambulance | 0.39% | 7/1/2022 | - | 120,000 | - | 120,000 |
| BAN | Pumper Truck | 0.35% | 10/21/2022 | - | 398,400 | - | 398,400 |
| Total | | | | <u>\$ 592,200</u> | <u>\$ 518,400</u> | <u>\$ (592,200)</u> | <u>\$ 518,400</u> |

Short-term loans are general obligations of the Town and maturity dates are governed by statute. Interest expenditures for short-term borrowings are accounted for in the general fund.

NOTE 9 – LONG-TERM DEBT

The Town is subject to a dual-level, general debt limit: the normal debt limit and the double debt limit. Such limits are equal to 5% and 10%, respectively, of the valuation of taxable property in the Town as last equalized by the Commonwealth’s Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit however require the approval of the Commonwealth’s Emergency Finance Board. Additionally, there are many categories of general long-term debt which are exempt from the debt limit but are subject to other limitations.

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

The following is a summary of the changes in long-term debt for the year ended June 30, 2022:

Bonds and Notes Payable Schedule – Governmental Funds

| Project | Interest Rate (%) | Outstanding at June 30, 2021 | Issued | Redeemed | Outstanding at June 30, 2022 |
|--------------------------|-------------------------|---------------------------------|-------------|-------------------|---------------------------------|
| Land Acquisition | 4.22 | \$ 255,000 | \$ - | \$ 85,000 | \$ 170,000 |
| Municipal Loan Refunding | 3.19 | 130,000 | - | 130,000 | - |
| Municipal Loan | 3.68 | 5,170,000 | - | 500,000 | 4,670,000 |
| Municipal Loan | 2.06 | 1,750,000 | - | 200,000 | 1,550,000 |
| Total | | <u>\$ 7,305,000</u> | <u>\$ -</u> | <u>\$ 915,000</u> | <u>\$ 6,390,000</u> |

The annual debt service requirements for principal and interest for Governmental bonds and notes outstanding at June 30, 2022 are as follows:

| Fiscal Year | Principal | Interest | Total |
|--------------|---------------------|---------------------|---------------------|
| 2023 | \$ 800,000 | \$ 226,013 | \$ 1,026,013 |
| 2024 | 755,000 | 199,950 | 954,950 |
| 2025 | 690,000 | 173,150 | 863,150 |
| 2026 | 705,000 | 148,250 | 853,250 |
| 2027 | 725,000 | 122,750 | 847,750 |
| 2028-2032 | 2,580,000 | 221,500 | 2,801,500 |
| 2033 | 135,000 | 3,375 | 138,375 |
| Total | <u>\$ 6,390,000</u> | <u>\$ 1,094,988</u> | <u>\$ 7,484,988</u> |

Loans Authorized and Unissued

As of June 30, 2022, the Town has loans authorized and unissued as follows:

| Description | Date Authorized | Amount |
|--------------------|--------------------|-------------------|
| Ambulance | 6/13/2016 | \$ 120,000 |
| Fire Tanker/Pumper | 5/21/2018 | 398,400 |
| Ambulance | 5/23/2022 | 380,000 |
| | | <u>\$ 898,400</u> |

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

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2022:

| Governmental Activities: | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
|--|----------------------|------------------|-----------------------|----------------------|--------------------|
| Bonds and notes payable | \$ 7,305,000 | \$ - | \$ (915,000) | \$ 6,390,000 | \$ 800,000 |
| Capital Leases | 7,549 | 64,959 | (7,549) | 64,959 | 12,878 |
| Compensated absences | 380,820 | - | (58,793) | 322,027 | 38,643 |
| Net pension liability | 6,169,722 | - | (902,748) | 5,266,974 | - |
| Other postemployment benefits | 16,132,401 | - | (355,595) | 15,776,806 | - |
| Total governmental activities long-term liabilities | <u>\$ 29,995,492</u> | <u>\$ 64,959</u> | <u>\$ (2,239,685)</u> | <u>\$ 27,820,766</u> | <u>\$ 851,521</u> |

The governmental activities long-term liabilities are generally liquidated by the general fund.

Overlapping Debt

The Town pays assessments under formulas which include debt service payments to other governmental agencies providing services to the Town, (commonly referred to as overlapping debt). The following summary sets forth the long-term debt of such governmental agencies and the estimated share being financed by the Town as of June 30, 2022:

| Agency | Total Long-Term Debt Outstanding | Town's Estimated Share | Town's Indirect Debt |
|--|---|------------------------------|----------------------------|
| Old Rochester Regional School District | \$ 1,890,000 | 36.38% | \$ 687,582 |
| Old Colony Regional Vocational Technical High School | 375,000 | 15.49% | 58,088 |
| Plymouth County | <u>550,000</u> | <u>1.21%</u> | <u>6,655</u> |
| Total | <u>\$ 2,815,000</u> | | <u>\$ 752,325</u> |

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

NOTE 10 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The Town has classified its governmental fund balances with the following hierarchy.

| | General Fund | Ambulance Purchase Major Fund | Nonmajor Governmental Funds | Total |
|--|---------------------|-------------------------------------|-----------------------------------|---------------------|
| Fund Balances | | | | |
| Nonspendable: | | | | |
| Permanent Fund Principal | \$ - | \$ - | \$ 85,994 | \$ 85,994 |
| Restricted for: | | | | |
| General Government | - | - | 589,325 | 589,325 |
| Public Safety | - | - | 60,962 | 60,962 |
| Education | - | - | 419,714 | 419,714 |
| Public Works | - | - | 82,277 | 82,277 |
| Human Services | - | - | 105,412 | 105,412 |
| Culture & Recreation | - | - | 134,200 | 134,200 |
| Expendable Trust Funds | - | - | 92,010 | 92,010 |
| | <u>-</u> | <u>-</u> | <u>1,483,900</u> | <u>1,483,900</u> |
| Committed To: | | | | |
| Continuing Appropriations | | | | |
| General Government | 112,530 | - | - | 112,530 |
| Public Safety | 260,427 | - | - | 260,427 |
| Education | 82,070 | - | - | 82,070 |
| Public Works | 138,121 | - | - | 138,121 |
| Human Services | 10,000 | - | - | 10,000 |
| Culture & Recreation | 17,020 | - | - | 17,020 |
| | <u>620,168</u> | <u>-</u> | <u>-</u> | <u>620,168</u> |
| Assigned To: | | | | |
| Encumbered For: | | | | |
| General Government | 20,392 | - | - | 20,392 |
| Public Safety | 5,200 | - | - | 5,200 |
| Education | 201,110 | - | - | 201,110 |
| Public Works | 113,073 | - | - | 113,073 |
| Human Services | 37,078 | - | - | 37,078 |
| Reserved for Expenditures | 500,000 | - | - | 500,000 |
| Future Excluded Debt | 7,039 | - | - | 7,039 |
| Road Improvement Stabilization Fund | 404,065 | - | - | 404,065 |
| Public Safety Capital Stabilization Fund | 251,939 | - | - | 251,939 |
| School Assessment Stabilization Fund | 259,744 | - | - | 259,744 |
| General Special Education Stabilization Fund | 52,137 | - | - | 52,137 |
| Capital Improvement - Stabilization Fund | 210,561 | - | - | 210,561 |
| | <u>2,062,338</u> | <u>-</u> | <u>-</u> | <u>2,062,338</u> |
| Unassigned | | | | |
| General Fund | 2,393,711 | - | - | 2,393,711 |
| General Stabilization Fund | 2,247,704 | - | - | 2,247,704 |
| Non Major Governmental Funds | - | - | (79,880) | (79,880) |
| Capital Projects | - | (398,400) | (120,000) | (518,400) |
| | <u>4,641,415</u> | <u>(398,400)</u> | <u>(199,880)</u> | <u>4,043,135</u> |
| Total Governmental Fund Balances | <u>\$ 7,323,921</u> | <u>(398,400)</u> | <u>\$ 1,370,014</u> | <u>\$ 8,295,535</u> |

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

NOTE 11 – STABILIZATION FUNDS

The Town has established six funds where the Town has set aside amounts for emergency and capital needs. These funds consist of the following;

- *The Stabilization Fund* is used to account for any appropriation, as approved by a 2/3 vote at the annual or special town meeting for additions or reductions to the fund. Any interest shall be added to and become part of the fund. The Stabilization fund balance is \$2,247,704 as of June 30, 2022. The fund was established under chapter 40, sub-section 5B of the Massachusetts General Law.
- *The General Special Education Stabilization Fund* is used to account for, the funding of future special education costs. The General Special Education fund balance is \$52,137 as of June 30, 2022. The Town may appropriate into and out of the fund at Annual or Special Town Meeting by 2/3 vote. This fund was established under Chapter 40 sub-section 5B of **MGL**.
- *The School Assessment Stabilization Fund* is a special purpose stabilization fund pursuant to G.L. c. 40 §5B, known as the School Assessment Stabilization Fund, for the purpose of having funds available to moderate the annual fluctuations in costs associated with school assessment increases based on student enrollment. The School Assessment fund balance is \$259,744 as of June 30, 2022.
- *The Road Improvement Stabilization Fund* is used to account for, the funding of future roadway improvement projects. The Road Improvement fund balance is \$404,065 as of June 30, 2022. The Town may appropriate into and out of the fund at Annual or Special Town Meeting by 2/3 vote. This fund was established under Chapter 40 sub-section 5B of **MGL**.
- *The Public Safety Capital Stabilization Fund* is used to account for, the funding of future costs related to Public Safety building. The Public Safety fund balance is \$251,939 as of June 30, 2022. The Town may appropriate into and out of the fund at Annual or Special Town Meeting by 2/3 vote. This fund was established under Chapter 40 sub-section 5B of **MGL**.
- *The Capital Improvements Stabilization Fund* is used to account for, the funding future costs related to Town Capital Improvements. The Capital Improvement fund balance is \$210,561 as of June 30, 2022. Town may appropriate into and out of the fund at Annual or Special Town Meeting by 2/3 vote. This fund was established under Chapter 40 sub-section 5B of **MGL**.

NOTE 12 – SOLID WASTE DISPOSAL

Pursuant to an agreement with the Town and provisions of Massachusetts General Law. Chapter 16: Section 24A, the SEMASS Partnership, waste to energy facility is to pay to the Town a rate per ton of solid waste processed at the facility. The rate is increased each year by the Boston Consumer Price index. This tax is in lieu of all taxes, fees, charges or assessments imposed by the Town. The Town received \$4,190,625 of general fund property taxes and payments in lieu, from SEMASS for 2022.

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

NOTE 13 – RISK FINANCING

The Town is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; injuries to employees; employee's health and life; and natural disasters.

Buildings are fully insured against fire, theft, and natural disaster (except for losses due to flood or earthquake) to the extent that losses exceed \$2,500 per incident. The fully insurable value of Town buildings is \$35,701,646.

The Town is a member of the Mayflower Municipal Health Group (the Group) which is a Massachusetts Municipal Health Insurance Joint Purchase Group formed pursuant to Massachusetts General Laws, Chapter 32B, under a certain joint purchase agreement which became effective July 1, 2008. The Group became operational July 1, 2008. The Group consists of thirty one governmental units (thirteen towns, three regional school districts, two counties, and thirteen special-purpose governments). The Group offers the following health insurance options:

The Group offers the following self-insured plans:

- Blue Cross/Blue Shield – Network Blue Traditional
- Blue Cross/Blue Shield – Network Blue Rate Saver
- Blue Cross/Blue Shield – Network Blue Benchmark
- Blue Cross/Blue Shield – Network Blue High Deductible
- Blue Cross/Blue Shield – Network Blue PPO Traditional
- Blue Cross/Blue Shield – Network Blue PPO Rate Saver
- Blue Cross/Blue Shield – Network Blue PPO Benchmark
- Blue Cross/Blue Shield – Network Blue PPO High Deductible
- Harvard Pilgrim Health – HMO Traditional
- Harvard Pilgrim Health – HMO Rate Saver
- Harvard Pilgrim Health – HMO ChoiceNet Benchmark
- Harvard Pilgrim Health – HMO High Deductible
- Blue Cross/Blue Shield – Medex II

These plans are administered by Blue Cross/Blue Shield and Harvard Pilgrim for monthly administration fee based on the number of individuals and family plan subscribers for a particular month.

The Group offer the following insured, premium based plans:

- Blue Cross/Blue Shield – Blue Medicare RX PDP
- Delta Dental PPO Plus Premier
- Blue Cross/Blue Shield – Blue 20/20

The above plans are self-insured programs under which the Group has purchased stop loss insurance (reinsurance) to limit loss exposure. The Group has a specific excess medical and prescription drug claims reinsurance contract with an insurance carrier covering claims paid in excess of \$300,000, specific deductible per individual, with no lifetime maximum amount per participant for the year ended June 30, 2022.

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

The Fund provides health care coverage for employees that qualify for and select health care coverage as an employee benefit as well as retired employees. Town of Rochester contributes 50% of the premium cost for the employees and retirees. There are approximately 54 employees and 47 retirees participating in the plans.

As of June 30, 2022, the Mayflower Municipal Health Group had total assets of \$43,178,530, total liabilities of \$10,081,349 (which is \$7,500,000 in estimated benefits obligations), and total net position of \$33,097,181.

The Town is insured for general liability; however, Chapter 258 of the Massachusetts General Laws limits the Town's liability to a maximum of \$100,000 per claim in all matters except in actions relating to federal civil rights, eminent domain and breach of contract. Such claims are charged to the general fund. There were no such claims in 2022.

NOTE 14 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The GASB Standards for *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires the following disclosures in the financial statements related to the retiree medical, dental, and life insurance benefits:

Plan Description. Town of Rochester Other Postemployment Benefits Plan (The Plan) is a single-employer defined benefit healthcare plan administered by the Town of Rochester. The plan provides medical, dental, and life insurance benefits to eligible retirees and their spouses. Town meeting vote is the authority to establish and amend benefit provisions to the Town. The Town has accepted various sections of Massachusetts General Laws Chapter 32B to provide 50% of the premium cost of retirees' health, dental and life insurance costs.

Funding Policy. The contribution requirements of plan members and the Town are established and may be amended through Town ordinances. For the period ending on June 30, 2022 measurement date, total Town premiums plus implicit costs for the retiree medical program were \$429,374. The Town also made a contribution to an OPEB Trust of \$15,000 for a total contribution during the measurement period of \$444,374 to be reported on the financial statement for the fiscal year ending June 30, 2022.

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish a postemployment benefit trust fund and to enable the Town to begin pre-funding its other postemployment benefit (OPEB) liabilities. During 2022, the Town pre-funded future OPEB liabilities totaling \$15,000 by contributing funds to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2022, the balance of this fund totaled \$160,028.

GASB Statement #75 – OPEB Employer Financial Reporting

Summary of Significant Accounting Policies – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expenses, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TOWN OF ROCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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Measurement Date - GASB #75 requires the net OPEB liability to be measured as of a date no earlier than the end of the employer's prior fiscal year and no later than the end of the employer's current fiscal year, consistently applied from period to period. Accordingly, the net OPEB liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2021.

Plan Membership – The following table represents the Plan's membership as July 1, 2021:

| | |
|--|-------------------|
| Active Employees | 110 |
| Inactive employees or beneficiaries currently receiving benefits | <u>74</u> |
| Total | <u><u>184</u></u> |

Components of OPEB Liability – The following table represents the components of the Plan's OPEB liability as of June 30, 2022:

| | |
|--|-----------------------------|
| Total OPEB Liability | \$ 15,936,834 |
| Less: OPEB plan's fiduciary net position | <u>(160,028)</u> |
| Net OPEB Liability | <u><u>\$ 15,776,806</u></u> |

| | |
|--|-------|
| The OPEB plan's fiduciary net position as a percentage of the total OPEB liability | 1.00% |
|--|-------|

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

Significant Actuarial Methods and Assumptions – The plan’s total OPEB liability, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, that was updated to June 30, 2022 to be in accordance with GASB Statement #75.

| | |
|----------------------------------|--|
| Valuation Date: | Actuarially Determined Contribution was calculated as of July 1, 2021. |
| Actuarial Cost Method: | Individual Entry Age Normal |
| Asset-Valuation Method: | Market value of assets as of the measurement date, June 30, 2022 |
| Investment Rate of Return | 5.29%, net of OPEB plan investment expense, including inflation. |
| Municipal Bond Rate: | 4.09% as of June 30, 2022 (source: S&P Municipal Bond 20 year high grade index - SAPIHG) |
| Single Equivalent Discount Rate: | 4.22% net of OPEB plan investment expense, including inflation. |
| Inflation: | 2.50% as of June 30, 2022 and for future periods |
| Salary Increases: | 3.00% annually as of June 30, 2022 and for future periods |
| Cost of Living Adjustment | Not Applicable |
| Pre-Retirement Mortality: | General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females. Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females. |
| Post-Retirement Mortality: | General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females. Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females. |
| Disabled Mortality: | General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year. Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females. |
| Discount Rate: | 4.22% per annum (previously 2.75%) |

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

Rate of Return – For the year ended June 30, 2022 the annual money-weighted rate on investments, net of investments expense, was -15.34%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

The long-term real rate of return on OPEB investments was determined using the Town’s investment policy. Best estimates of real rates of returns for each major asset class included in the OPEB plans target asset allocation as of June 30, 2022 are summarized in the following table.

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|---|--------------------------|---|
| Domestic equity - large cap | 25.50% | 4.10% |
| Domestic equity - small/mid cap | 13.50% | 4.55% |
| International equity - developed market | 10.00% | 4.64% |
| International equity - emerging market | 5.75% | 5.45% |
| Domestic fixed income | 35.50% | 1.05% |
| International fixed income | 6.50% | 0.96% |
| Alternatives | 2.75% | 5.95% |
| Real Estate | 0.00% | 6.25% |
| Cash and Cash Equivalents | 0.50% | 0.00% |
| Total | 100.00% | |

Discount Rate – The discount rate used to measure the total OPEB liability was 4.22% as of June 30, 2022, and 2.75% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan’s funding policy.

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

Changes in the Net OPEB Liability

| | Increase (Decrease) | | |
|---|--------------------------------|---------------------------------------|------------------------------------|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
| Balance at June 30, 2021 | \$ 16,303,717 | \$ 171,316 | \$ 16,132,401 |
| Changes for the year: | | | |
| Service cost | 548,433 | - | 548,433 |
| Interest on Total OPEB Liability, Service Cost, and Benefit Payments | 457,570 | - | 457,570 |
| Change in assumptions | (194,687) | - | (194,687) |
| Difference between actual and expected experience | (748,825) | - | (748,825) |
| Net Investment Income | - | (26,288) | 26,288 |
| Employer Contributions to Trust | - | 444,374 | (444,374) |
| Benefit payments withdrawn from trust | - | (429,374) | 429,374 |
| Benefit payments excluding implicit costs | (319,963) | - | (319,963) |
| Implicit cost amounts | (109,411) | - | (109,411) |
| | <u>(366,883)</u> | <u>(11,288)</u> | <u>(355,595)</u> |
| Net Changes | | | |
| Balance at June 30, 2022 | <u>\$ 15,936,834</u> | <u>\$ 160,028</u> | <u>\$ 15,776,806</u> |

Sensitivity of the net OPEB liability to changes in the discount rate – The following table presents the Plan’s net OPEB liability calculated using the discount rate of 4.22% as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage- point lower (3.22%) or 1 percentage-point higher (5.22%) than the current rate.

| | 1% Decrease (3.22%) | Current Discount Rate (4.22%) | 1% Increase (5.22%) |
|--------------------|------------------------|-------------------------------------|------------------------|
| Net OPEB liability | \$ 18,541,895 | \$ 15,776,806 | \$ 13,581,376 |

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

Sensitivity of the net OPEB liability to changes in the healthcare trend – The following table presents the net other postemployment benefit liability calculated using the current healthcare trend rate as well as what the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1 percentage-point lower or 1 percentage-point higher.

| | 1% Decrease (7.00%) | Current Trend Rate (8.00%) | 1% Increase (9.00%) |
|--------------------|------------------------|----------------------------------|------------------------|
| Net OPEB liability | \$ 13,359,743 | \$ 15,776,806 | \$ 18,875,567 |

Deferred Outflows/Inflows of Resources

At June 30, 2022 the Town reported deferred outflows and inflows of resources related to OPEB of \$1,697,746 and \$1,383,983 respectively.

The balances of deferred outflows and inflows as June 30, 2022 consist of the following:

| <u>Deferred Category</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> | <u>Total</u> |
|---|---|--|----------------|
| Differences between expected and actual experience | \$ - | \$ (1,155,325) | \$ (1,155,325) |
| Change in assumptions | 1,679,608 | (228,658) | 1,450,950 |
| Net difference between projected and actual earnings on OPEB plan investments | 18,138 | - | 18,138 |
| Total Deferred Outflows (Inflows) of Resources | \$ 1,697,746 | \$ (1,383,983) | \$ 313,763 |

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

The Town’s net deferred (inflows)/outflows of resources related to other postemployment benefits will be recognized in future years other postemployment benefits as follows:

| Period Year ended June 30 | Amount |
|---|-------------|
| 2023 | \$ (10,026) |
| 2024 | 273,219 |
| 2025 | 115,122 |
| 2026 | 8,565 |
| 2027 | (73,117) |
| Total Deferred (Inflows)/Outflows Recognized in Future Years | \$ 313,763 |

Changes of Assumption – The discount rate decreased from 2.75% to 4.22%

Changes in Plan Provisions - None

NOTE 15 – PENSION PLAN

A. Plan Descriptions

The Town contributes to the Plymouth County Retirement Association (The Association), a multiple-employer, cost sharing contributory defined benefit pension plan, under Massachusetts General Law (MGL), Chapter 32, and is regulated by the Massachusetts Public Employee Retirement Administration Commission (PERAC). Substantially all employees are members of the Association except for public school teachers and certain school administrators.

The Association issues a publically available audited financial report that may be obtained by contacting the association at 10 Cordage Park Circle, Suite 234 Plymouth, MA 02360. The report can also be obtained online at http://pcr-ma.org/pages/PCRA_Webdocs/new/what.

The Town is a member of the Massachusetts Teachers’ Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is part of the Commonwealth’s reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>. The MTRS report may also be obtained by contacting MTRS at One Charles Park, Cambridge, Massachusetts 02142-1206.

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

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Town to the MTRS. 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 contributor in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2021. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$991,549 is reported in the general fund as intergovernmental revenue and pension expense in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$12,356,391 as of the measurement date.

The "System" and the MTRS are contributory defined benefit plans and membership in both the "System" and the MTRS is mandatory upon commencement of employment for all permanent, full-time employees.

B. Benefits

The Association and MTRS provide retirement, disability and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are with certain exceptions, uniform from system to system. The Association provides for retirement allowance benefits up to a maximum of 80% of an employees highest three year average annual rate of regular compensation for those hired prior to April 2, 2012. For persons who became employees on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon an employee's age, length of creditable service, level of compensation, and group classification.

Employees who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent on several factors, including whether or not the disability is work related, the employee's age, years of creditable service, level of compensation, veterans' status and group classification.

Employees who resign from service are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of employees whose death occurs prior to or following retirement.

Cost-of living adjustments granted between 1981 and 1997, and any increase in other benefits imposed by the Commonwealth of Massachusetts' state law during those years are borne by the Commonwealth and are deposited in to the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Association and all costs are borne by the Association.

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

C. Contributions

Plymouth County Retirement Association

Chapter 32 of MGL governs the contributions of plan members and member employees. Active plan employees are required to contribute to the Association at rates ranging from 5 to 9% and of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. Employees hired on or after January 1, 1979, contribute an additional 2.0% of annual regular compensation in excess of \$30,000. The member units are required to pay into the Association, a legislatively mandated actuarial determined contribution that is apportioned among the employers based on the actuarial valuation results. The Town's proportionate share of the required contribution for the year ended December 31, 2021 which was \$938,903 and 30.09% of covered payroll, actuarially determined as an amount that when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

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

Pension Liabilities

At June 30, 2022 the Town reported a liability of \$5,266,974 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. Accordingly, updated procedures were used to roll back the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members actuarially determined. At December 31, 2021, the Town's proportion was 1.092% which was a slight increase from the last measurement.

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2022 the Town recognized pension expense of \$657,347. At June 30, 2022 the Town reported deferred outflows and inflows of resources related to pensions of \$889,628 and \$1,487,025 respectively.

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

The balances of deferred outflows and inflows as June 30, 2022 consist of the following:

| <u>Deferred Category</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> | <u>Total</u> |
|---|---|--|---------------------|
| Differences between expected and actual experience | \$ 584,153 | \$ - | \$ 584,153 |
| Net difference between projected and actual investment earnings on pension plan investments | - | (1,445,177) | (1,445,177) |
| Change in assumptions | 17,893 | - | 17,893 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | <u>287,582</u> | <u>(41,848)</u> | <u>245,734</u> |
| Total Deferred Outflows (Inflows) of Resources | <u>\$ 889,628</u> | <u>\$ (1,487,025)</u> | <u>\$ (597,397)</u> |

The Town's net deferred outflows/inflows of resources related to pensions will be recognized in future pension years are as follows:

| <u>Period Year ended June 30</u> | <u>Amount</u> |
|---|---------------------|
| 2023 | \$ 142,497 |
| 2024 | (352,597) |
| 2025 | (198,904) |
| 2026 | <u>(188,393)</u> |
| Total Deferred (Inflows)/Outflows Recognized in Future Years | <u>\$ (597,397)</u> |

E. Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2022, using the following actuarial assumptions, applied to all periods included in the measurement date of December 31, 2021:

Valuation date..... January 1, 2022

Actuarial cost method..... Individual Entry Age Normal Cost Method.

Asset valuation method..... Assets held by the fund are valued at fair value as reported by the Public Employees' Retirement Administration Commission (PERAC). The actuarial value of assets is determined using a five-year smoothing of asset returns greater than or less than the assumed rate of return, with a 20% corridor.

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

Projected salary increases..... 3.75% per year

Cost of living adjustments..... 3.0% of the first \$16,000 of retirement income.

Rates of disability..... For general employees, it was assumed that 45% of all disabilities are ordinary (55% are service connected). For police and fire employees, 10% of all disabilities are assumed to be ordinary (90% are service connected).

Mortality Rates..... It is assumed that both pre-retirement mortality and beneficiary mortality is represented by the RP-2014 Blue Collar Mortality with Scale MP-2016, fully generational. Mortality for retired members for Group 1 and 2 is represented by the RP-2014 Blue Collar Mortality Table set forward five years for males and 3 years for females, fully generational. Mortality for retired members for Group 4 is represented by the RP-2014 Blue Collar Mortality Table set forward three years for males, and six years for females, fully generational. Mortality for disabled members for Group 1 and 2 is represented by the RP-2000 Mortality Table set forward six years. Mortality for disabled members for Group 4 is represented by the RP-2000 Mortality Table set forward two years. Generational adjusting is based on Scale MP-2016.

Investment rate of return/Discount rate..... 7.875% nominal rate, net of investment expense

Investment policy

The Pension Plan's investment policy in regard to the allocation of invested assets is established by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the pension plan.

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

F. Long-Term Expected Rate of Return

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 nominal rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2022 are summarized in the following table:

| Asset Class | Long-Term Expected Nominal Rate of Return | Long-Term Expected Asset Allocation |
|--------------------------------|---|--|
| Domestic Equity | 6.80% | 23.00% |
| International developed equity | 7.50% | 3.00% |
| Emerging markets equity | 4.60% | 9.00% |
| Global equity | 7.20% | 11.00% |
| Core bonds | 2.40% | 10.00% |
| Value-added fixed income | 4.00% | 7.00% |
| Hedge funds | 4.40% | 7.00% |
| Real estate | 7.40% | 10.00% |
| Private equity | 7.30% | 12.00% |
| Real assets | 7.70% | 6.00% |
| Cash | 1.70% | 2.00% |
| Total | | <u>100.00%</u> |

For the year ended December 31, 2021 the Association's annual money-weighted rate of return on pension plan investments was again of 14.41%. The money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested, measured monthly.

G. Discount Rate

The discount rate used to measure the total pension liability was 7.875% as of December 31, 2021. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. 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 ROCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

H. Sensitivity of the net pension liability to changes on the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.875%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.875%) or 1 percentage point higher (8.875%) than the current rate:

| | 1% Decrease (6.875%) | Current Discount Rate (7.875%) | 1% Increase (8.875%) |
|--|-------------------------|--------------------------------------|-------------------------|
| Rochester share of the net pension liability | \$ 7,464,164 | \$ 5,266,974 | \$ 3,394,125 |

Detailed information about the pension plan’s fiduciary net pension is available in a separately issued Plymouth County Retirement Association financial report.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2022, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is believed the amount, if any, would not be material.

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

NOTE 17 – COVID-19

On March 10, 2020, the Massachusetts Governor declared a state of emergency in response to the coronavirus outbreak. The World Health Organization officially declared the novel Coronavirus (COVID-19) a pandemic the following day. In an attempt to slow the spread of COVID-19, governments issued various stay at home orders that caused global economic shutdowns and substantial financial market impact. Starting in March 2020, the Governor continued to issue orders allowing governments to operate and carry out essential functions safely. These included modifying the state’s Open Meeting Law, issuing a stay-at-home order, and introducing a phased approach to reopening State businesses. The Town is considered an essential business and although it closed its doors to the public, departments remained operational and employees continued to perform their daily duties in-person or remotely.

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

In Fiscal Year 2022 the Town has incurred unanticipated costs specifically related to the pandemic. On March 27, 2020 the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment of funds be used only to cover expenses that; are necessary expenditures incurred due to the public health emergency with respect to COVID-19. The Commonwealth and communities throughout the Commonwealth were awarded a portion of the federal funding. In addition to the funding from the CARES Act, there are several other federal and state grants available to help offset these unanticipated costs.

The full extent of the financial impact cannot be determined as of the date of the financial statements.

NOTE 18 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2022, the following GASB pronouncements were implemented:

The GASB issued **Statement #87**, *Leases*, which was implemented in 2022. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #89**, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which was implemented in 2022. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #92**, *Omnibus 2020*, which was implemented in 2022. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #93**, *Replacement of Interbank Offered Rates*, which was implemented in 2022. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #97**, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Service Code 457 Deferred Compensation Plans*, which was implemented in 2022. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statements #98**, *The Annual Comprehensive Financial Report*. The requirements of this Statement was implemented for fiscal year ended June 30, 2022. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

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

Future GASB Pronouncements:

The GASB issued **Statement #91**, *Conduit Debt Obligations* – which is required to be implemented in 2023. Earlier application is encouraged. The primary objectives of this statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. . Management’s current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #94**, *Public-Private and Public Partnerships and Availability Payment Arrangements*, which is required to be implemented in 2023. Management’s current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #96**, *Subscription-Based Information Technology Arrangements*, which is required to be implemented in 2023. Management’s current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #100**, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*, which is required to be implemented in 2024. Management’s current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #101**, *Compensated Absences*, which is required to be implemented in 2025. Management’s current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

**TOWN OF ROCHESTER, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
PLYMOUTH COUNTY RETIREMENT ASSOCIATION
JUNE 30, 2022**

Schedule of the Town's Proportionate Share of the Net Pension Liability

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> | <u>December 31, 2019</u> | <u>December 31, 2018</u> | <u>December 31, 2017</u> | <u>December 31, 2016</u> | <u>December 31, 2015</u> | <u>December 31, 2014</u> |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Town's proportion of the net pension liability | 1.126% | 1.053% | 1.018% | 1.047% | 1.012% | 1.055% | 0.935% | 0.935% |
| Town's proportionate share of the net pension liability | \$ 5,266,974 | \$ 6,169,722 | \$ 6,948,320 | \$ 7,668,680 | \$ 5,443,207 | \$ 6,686,652 | \$ 5,930,939 | \$ 5,451,038 |
| Town's covered-employee payroll | \$ 3,119,925 | \$ 3,182,539 | \$ 2,992,395 | \$ 3,038,290 | \$ 3,399,750 | \$ 3,268,990 | \$ 3,259,840 | \$ 3,142,014 |
| Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 168.82% | 193.86% | 232.20% | 252.40% | 160.11% | 204.55% | 181.94% | 173.49% |
| Plan fiduciary net position as a percentage of the total pension liability | 75.49% | 67.90% | 61.61% | 56.11% | 65.56% | 58.32% | 56.80% | 58.88% |

Note: This schedule is intended to present information for 10 years. Until a 10 year trend is compiled, information is presented for those years for which the information is available.

See notes to Required Supplementary Information

**TOWN OF ROCHESTER, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
PLYMOUTH COUNTY RETIREMENT ASSOCIATION
JUNE 30, 2022**

SCHEDULE OF TOWN'S CONTRIBUTION

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> | <u>December 31, 2019</u> | <u>December 31, 2018</u> | <u>December 31, 2017</u> | <u>December 31, 2016</u> | <u>December 31, 2015</u> | <u>December 31, 2014</u> |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Actuarily determined contribution | \$ 938,903 | \$ 846,103 | \$ 751,595 | \$ 758,181 | \$ 691,796 | \$ 669,036 | \$ 646,145 | \$ 602,301 |
| Contribution in relation to the actuarially determined contribution | <u>(938,903)</u> | <u>(846,103)</u> | <u>(751,595)</u> | <u>(758,181)</u> | <u>(691,796)</u> | <u>(669,036)</u> | <u>(646,145)</u> | <u>(602,301)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| Town's covered-employee payroll | \$ 3,119,925 | \$ 3,182,539 | \$ 2,992,395 | \$ 3,038,290 | \$ 3,399,750 | \$ 3,268,990 | \$ 3,259,840 | \$ 3,142,014 |
| Contribution as a percentage of covered - employee payroll | 30.09% | 26.59% | 25.12% | 24.95% | 20.35% | 20.47% | 19.82% | 19.17% |

Note: This Town schedule is intended to present information for 10 years. Until a 10 year trend is compiled, information is presented for those years for which the information is available.

See notes to Required Supplementary Information

**TOWN OF ROCHESTER, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
MASSACHUSETTS TEACHERS RETIREMENT SYSTEM
JUNE 30, 2022**

Schedule of the Commonwealth's Collective amounts of the Net Pension Liability

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Town; the portion of the collective pension expense as both revenue and pension expense recognized by the Town; and the Plan's fiduciary net position as a percentage of total liability.

| <u>Fiscal Year</u> | <u>Liability Associated with the Town</u> | <u>Commonwealth's Support</u> | <u>Percentage of the Total Pension Liability</u> |
|--------------------|---|-----------------------------------|--|
| 2022 | \$ 12,356,391 | \$ 991,549 | 62.03% |
| 2021 | 15,354,830 | 1,896,541 | 50.67% |
| 2020 | 14,041,894 | 1,702,823 | 53.95% |
| 2019 | 12,663,080 | 1,283,220 | 54.84% |
| 2018 | 12,840,575 | 1,340,208 | 54.25% |
| 2017 | 12,630,574 | 1,288,401 | 52.73% |
| 2016 | 11,127,507 | 902,540 | 55.38% |
| 2015 | 8,943,617 | 621,356 | 61.64% |

Note: This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**TOWN OF ROCHESTER, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2022**

Schedule of the Town's Net OPEB Liability and Related Ratios

| | <u>June 30, 2022</u> | <u>June 30, 2021</u> | <u>June 30, 2020</u> | <u>June 30, 2019</u> | <u>June 30, 2018</u> | <u>June 30, 2017</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total OPEB Liability | | | | | | |
| Service Cost | \$ 548,433 | \$ 461,024 | \$ 433,322 | \$ 458,574 | \$ 372,189 | \$ 579,236 |
| Interest on total OPEB liability, service cost, and benefit payments | 457,570 | 483,816 | 447,352 | 458,945 | 508,536 | 446,681 |
| Difference between expected & actual plan experience | (748,825) | - | (635,079) | - | (1,535,059) | - |
| Changes of assumptions | (194,687) | 1,138,093 | 1,243,956 | 979,008 | (462,511) | - |
| Implicit Cost Amount | (109,411) | (117,521) | (113,216) | (29,397) | (30,324) | 212,916 |
| Benefit Payments excluding implicit costs | (319,963) | (288,904) | (271,079) | (276,862) | (247,610) | 20,037 |
| Net Change in total OPEB liability | (366,883) | 1,676,508 | 1,105,256 | 1,590,268 | (1,394,779) | 1,258,870 |
| Total OPEB liability-beginning | <u>16,303,717</u> | <u>14,627,209</u> | <u>13,521,953</u> | <u>11,931,685</u> | <u>13,326,464</u> | <u>12,067,594</u> |
| Total OPEB liability-ending (a) | <u>15,936,834</u> | <u>16,303,717</u> | <u>14,627,209</u> | <u>13,521,953</u> | <u>11,931,685</u> | <u>13,326,464</u> |
| Plan fiduciary net position | | | | | | |
| Contributions-employer | 444,374 | 421,425 | 399,295 | 321,259 | 292,934 | 228,218 |
| Net investment income | (26,288) | 30,604 | 3,245 | 4,807 | 3,339 | 18,613 |
| Benefit payments | (429,374) | (406,425) | (384,295) | (306,259) | (277,934) | (213,218) |
| Net change in plan fiduciary net position | (11,288) | 45,604 | 18,245 | 19,807 | 18,339 | 33,613 |
| Plan fiduciary net position - beginning | <u>171,316</u> | <u>125,712</u> | <u>107,467</u> | <u>87,660</u> | <u>69,321</u> | <u>35,708</u> |
| Plan fiduciary net position - ending (b) | <u>160,028</u> | <u>171,316</u> | <u>125,712</u> | <u>107,467</u> | <u>87,660</u> | <u>69,321</u> |
| Town's net OPEB liability-ending (a)-(b) | <u>\$ 15,776,806</u> | <u>\$ 16,132,401</u> | <u>\$ 14,501,497</u> | <u>\$ 13,414,486</u> | <u>\$ 11,844,025</u> | <u>\$ 13,257,143</u> |
| Plan fiduciary net position as a percentage of total OPEB liability | 1.00% | 1.05% | 0.86% | 0.79% | 0.73% | 0.52% |
| Covered-employee payroll | \$ 7,633,188 | \$ 7,411,669 | \$ 7,195,795 | \$ 6,861,142 | \$ 6,720,374 | \$ 6,720,374 |
| Plan's net OPEB liability as a percentage of covered-employee payroll | 206.69% | 217.66% | 201.53% | 195.51% | 176.24% | 197.27% |

Note: This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available

See notes to required supplementary information.

**TOWN OF ROCHESTER, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2022**

| Schedule of the Town's Contribution | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | <u>June 30, 2022</u> | <u>June 30, 2021</u> | <u>June 30, 2020</u> | <u>June 30, 2019</u> | <u>June 30, 2018</u> | <u>June 30, 2017</u> |
| Actuarially determined contribution | \$ 1,169,010 | \$ 980,037 | \$ 1,173,238 | \$ 1,143,027 | \$ 1,088,875 | \$ 1,211,303 |
| Contributions in relation to the actuarially determined contribution | <u>(444,374)</u> | <u>(421,425)</u> | <u>(399,295)</u> | <u>(321,259)</u> | <u>(292,934)</u> | <u>(228,218)</u> |
| Contribution deficiency (excess) | <u>\$ 724,636</u> | <u>\$ 558,612</u> | <u>\$ 773,943</u> | <u>\$ 821,768</u> | <u>\$ 795,941</u> | <u>\$ 983,085</u> |
| Covered-employee payroll | \$ 7,633,188 | \$ 7,411,669 | \$ 7,195,795 | \$ 6,861,142 | \$ 6,720,374 | \$ 6,720,374 |
| Contributions as a percentage of covered- employee payroll | 5.82% | 5.69% | 5.55% | 4.68% | 4.36% | 3.40% |

Note: This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**TOWN OF ROCHESTER, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2022**

Schedule of Investment Return

| | <u>June 30, 2022</u> | <u>June 30, 2021</u> | <u>June 30, 2020</u> | <u>June 30, 2019</u> | <u>June 30, 2018</u> | <u>June 30, 2017</u> |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Annual money-weighted rate of return, net of investment expense | -15.34% | 24.13% | 3.02% | 5.48% | 4.82% | 6.80% |

Note: This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

TOWN OF ROCHESTER
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022

Pension Plan Schedules

A. Schedule of the Town's Proportionate Share of the Net Pension Liability

The Schedule of Town's Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability; the proportionate share of the net pension liability, and the covered employee payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

B. Schedule of Town's Contribution

Governmental employees are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the System's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1, and January 1. The Town may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the Town based on covered payroll.

C. Schedule of the Commonwealth's Collective amounts of the Net Pension Liability

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Town; the portion of the collective pension expense as both a revenue and pension expense recognized by the Town; and the Plan's fiduciary net position as a percentage of the total pension liability.

D. Changes in Plan Provisions – None

Other Postemployment Benefits Schedules

A. Schedule of the Town's Net OPEB Liability and Related Ratios

The Schedule of the Town's Net OPEB Liability and Related Ratios presents multi-year trend information on changes in the plan's total OPEB liability, changes in the plan's net position, and ending net OPEB liability. It also demonstrates the plan's net position as a percentage of the total liability and the plan's net OPEB liability as a percentage of covered-employee payroll.

B. Schedule of the Town's Contribution

The Schedule of the Town's contributions includes the Town's annual required contribution to the plan, along with the contribution made in relation to the actuarially determined contribution. The Town is not required to fully fund this contribution.

TOWN OF ROCHESTER
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022

C. Schedule of Investment Return

The Schedule of Investment Return includes the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

D. Changes in Provisions - None