



CITY OF GARDNER, MASSACHUSETTS

Financial Statements
For the Year Ended June 30, 2023

(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
City of Gardner, Massachusetts

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gardner, Massachusetts (the City), as of and for the year ended June 30, 2023 (except for the Gardner Contributory Retirement System which is as of and for the year ended December 31, 2022), and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gardner, Massachusetts, as of June 30, 2023 (except for the Gardner Contributory Retirement System which is as of and for the year ended December 31, 2022), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Levi Heywood Library Association, which represents 100% of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Levi Heywood Library Association, is based solely on the report of the other auditor.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. The financial statements of the Gardner Contributory Retirement System and the Levi Heywood Memorial Library Association were not audited in accordance with *Government Auditing Standards*. We are required to be independent of the City 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 City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibility for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City'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 City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the budgetary comparison for the General Fund, and certain pension and OPEB schedules be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient 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 March 6, 2024 on our consideration of the City'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 City'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 City's internal control over financial reporting and compliance.

Marcum LLP

Merrimack, NH
March 6, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, education, public works, health and human services, culture and recreation, interest, and intergovernmental. The business-type activities include water, sewer, golf, solid waste, and landfill activities.

Fund Financial Statements

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

Governmental Funds

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

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

Proprietary Funds

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

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, and (3) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs such as depreciation or debt service. The primary focus on these criteria is on fees charged to external users. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. Specifically, enterprise funds are used to account for water, sewer, and golf operations, which are considered to be major funds, as well as solid waste and landfill operations, which are considered to be nonmajor funds.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. Specifically, internal service funds are used to account for self-insured employee health programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fiduciary Funds

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

Notes to Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

Financial Highlights

- As of the close of the current fiscal year, the City reported a total net position deficit of \$13,997,558. Out of the total net position, the unrestricted net position was a deficit of \$142,060,391. The City has recognized a substantial net OPEB (other postemployment benefits) liability of \$106,357,151 contributing to the deficit in its unrestricted net position.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$30,158,167, which includes \$10,972,657 remaining from the issuance of debt for the Waterford Street Elementary School that will be used for ongoing construction in fiscal year 2024.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,591,179 representing 9.5% of total General Fund expenditures. For this calculation, expenditures did not include the state on-behalf contribution for teachers' retirement.

Government-Wide Financial Analysis

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

	NET POSITION					
	Governmental		Business-Type		Total	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Assets						
Current and other assets	\$ 46,825,963	\$ 62,729,041	\$ 15,587,811	\$ 15,416,519	\$ 62,413,774	\$ 78,145,560
Capital assets	<u>144,691,297</u>	<u>127,979,986</u>	<u>40,012,263</u>	<u>39,467,356</u>	<u>184,703,560</u>	<u>167,447,342</u>
Total Assets	191,517,260	190,709,027	55,600,074	54,883,875	247,117,334	245,592,902
Deferred Outflows of Resources	21,698,504	25,221,669	849,892	556,476	22,548,396	25,778,145
Liabilities						
Long-term liabilities outstanding	204,364,452	204,470,140	26,888,813	27,040,169	231,253,265	231,510,309
Other liabilities	<u>7,996,886</u>	<u>11,944,439</u>	<u>70,830</u>	<u>134,877</u>	<u>8,067,716</u>	<u>12,079,316</u>
Total Liabilities	212,361,338	216,414,579	26,959,643	27,175,046	239,320,981	243,589,625
Deferred Inflows of Resources	43,929,024	48,501,702	413,283	1,384,055	44,342,307	49,885,757
Net Position						
Invested in capital assets, net	98,801,080	94,180,326	19,257,487	16,673,655	118,058,567	110,853,981
Restricted	10,004,266	15,494,271	-	-	10,004,266	15,494,271
Unrestricted	<u>(151,879,944)</u>	<u>(158,660,182)</u>	<u>9,819,553</u>	<u>10,207,595</u>	<u>(142,060,391)</u>	<u>(148,452,587)</u>
Total Net Position	\$ <u>(43,074,598)</u>	\$ <u>(48,985,585)</u>	\$ <u>29,077,040</u>	\$ <u>26,881,250</u>	\$ <u>(13,997,558)</u>	\$ <u>(22,104,335)</u>

Current and other assets decreased \$15.7 million from the previous fiscal year. The decrease related to governmental activities. The Waterford Street Elementary School project unspent debt decreased by \$8.3 million. Capital assets increased \$17.3 million primarily due to the same project which incurred \$16.8 million of costs in fiscal year 2023. Deferred outflows decreased \$3.2 million from the previous year primarily due to change in assumptions related to the OPEB liability as the discount rate increased 1.5%. Other liabilities decreased \$4.0 million due to an increase in accrued payroll and unearned revenue. Deferred inflows decreased \$5.5 million from the previous year primarily due to the change from expected to actual earnings on investments for the Gardner Contributory Retirement System (the System), as the System incurred investment losses of \$9.0 million.

The largest portion of net position \$118,058,567 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$10,004,266 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit of \$(142,060,391) primarily resulting from unfunded pension and OPEB liabilities.

CHANGE IN NET POSITION						
	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues:						
Charges for services	\$ 5,592,431	\$ 4,776,363	\$ 10,212,768	\$ 10,554,609	\$ 15,805,199	\$ 15,330,972
Operating grants and contributions	44,069,288	42,190,774	-	-	44,069,288	42,190,774
Capital grants and contributions	9,456,071	33,233,275	29,580	42,970	9,485,651	33,276,245
General revenues:						
Property taxes	31,984,768	29,858,804	-	-	31,984,768	29,858,804
Excises	2,839,424	2,358,245	-	-	2,839,424	2,358,245
Penalties, interest, and other taxes	506,306	540,356	-	-	506,306	540,356
Grants and contributions not restricted to specific programs	5,141,537	5,194,157	-	-	5,141,537	5,194,157
Investment income (loss)	1,027,238	(131,190)	208,190	39,727	1,235,428	(91,463)
Miscellaneous	1,761,625	418,224	41,083	40,435	1,802,708	458,659
Total Revenues	102,378,688	118,439,008	10,491,621	10,677,741	112,870,309	129,116,749
Expenses						
General government	9,027,869	5,718,941	-	-	9,027,869	5,718,941
Public safety	16,077,535	14,833,651	-	-	16,077,535	14,833,651
Education	55,426,760	51,356,883	-	-	55,426,760	51,356,883
Public works	6,322,852	5,556,090	-	-	6,322,852	5,556,090
Health and human services	1,755,749	1,514,504	-	-	1,755,749	1,514,504
Culture and recreation	2,271,304	1,601,360	-	-	2,271,304	1,601,360
Interest on long-term debt	1,658,165	935,925	-	-	1,658,165	935,925
Intergovernmental	1,921,942	2,040,052	-	-	1,921,942	2,040,052
Water operations	-	-	3,394,282	3,625,156	3,394,282	3,625,156
Sewer operations	-	-	3,886,641	3,375,554	3,886,641	3,375,554
Golf operations	-	-	927,623	891,885	927,623	891,885
Solid waste and landfill	-	-	2,092,810	1,668,940	2,092,810	1,668,940
Total Expenses	94,462,176	83,557,406	10,301,356	9,561,535	104,763,532	93,118,941
Change in net position before transfers	7,916,512	34,881,602	190,265	1,116,206	8,106,777	35,997,808
Transfers, net	(2,005,525)	(437,728)	2,005,525	437,728	-	-
Change in Net Position	5,910,987	34,443,874	2,195,790	1,553,934	8,106,777	35,997,808
Net Position - Beginning of Year	(48,985,585)	(83,429,459)	26,881,250	25,327,316	(22,104,335)	(58,102,143)
Net Position - End of Year	\$ (43,074,598)	\$ (48,985,585)	\$ 29,077,040	\$ 26,881,250	\$ (13,997,558)	\$ (22,104,335)

Governmental Activities

As of the close of the current fiscal year, net position in governmental activities was a deficit of \$(43,074,598), a change of \$5,910,987, primarily due to a grant from Massachusetts School Building Authority (MSBA) of \$8,466,269 to subsidize the improvement of the Waterford Street Elementary School. This MSBA assistance in fiscal year 2023 represents a significant decrease in capital grants and contributions as compared to the previous year MSBA contribution of \$32,127,125.

Business-Type Activities

As of the close of the current fiscal year, net position in business-type activities was \$29,077,040, a change of \$2,195,790, primarily due to a transfer into the Water Fund from the Premium Fund of \$1,897,393 to fund paving work related to the water infrastructure improvement project.

Financial Analysis of the City's Funds

Governmental Funds

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

General Fund

The General Fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$6,591,179, while total fund balance was \$9,188,934. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to General Fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/23</u>	<u>6/30/22</u>	<u>Change</u>	<u>% of General Fund Expenditures*</u>
Unassigned - General Fund	\$ 2,825,925	\$ 3,298,718	\$ (472,793)	4.1%
Unassigned - Stabilization Fund	<u>3,765,254</u>	<u>3,357,166</u>	<u>408,088</u>	<u>5.4%</u>
Total Unassigned Fund Balance	<u>\$ 6,591,179</u>	<u>\$ 6,655,884</u>	<u>\$ (64,705)</u>	<u>9.5%</u>
Total Fund Balance	\$ 9,188,934	\$ 9,861,946	\$ (673,012)	13.2%

* Expenditure amounts used to calculate the above percentages have been adjusted to exclude the on-behalf payment from the Commonwealth of Massachusetts to the Massachusetts Teachers Retirement System of \$4,393,798.

The total fund balance of the General Fund decreased by \$673,012 during the current fiscal year.

School Improvement Bond Fund

The fund balance of the School Improvement Bond Fund of \$10,972,657 mostly represents unspent bonds for the Waterford Street School project.

City Federal Grants Fund

The fund balance of the City Federal Grants Fund of \$(208,216) mostly represents grant expenditures that will be reimbursed in the upcoming year.

Nonmajor Governmental Funds

The fund balance of nonmajor governmental funds of \$10,204,792 primarily represents grants restricted for specific purposes.

Proprietary Funds

Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail. Factors concerning the finances of proprietary funds have been addressed in the entity-wide discussion of business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in an overall change in appropriations and other financing uses of \$1,517,162. This was funded primarily from free cash of \$1,724,766.

Investment income exceeded budget by \$759,995 primarily due to conservative budgeting of investment results.

Public safety expenditures were under budget by \$269,150. Approximately \$175,000 of that related to the salaries budget.

Capital Assets and Debt Administration

Capital Assets

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$184,703,560 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery, equipment, and furnishings, infrastructure, and construction in progress.

Major capital asset events during the current fiscal year included the following:

- \$16,313,999 – Waterford Street school project
- \$1,652,866 – Water mains

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$64,130,000, all of which was backed by the full faith and credit of the City. The S&P Global credit rating was reaffirmed at AA-.

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

Requests for Information

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

Mr. John Richard, City Auditor
City of Gardner
Gardner City Hall
95 Pleasant Street
Gardner, MA 01440

CITY OF GARDNER, MASSACHUSETTS

Statement of Net Position
June 30, 2023

	Primary Government			Component
	Governmental	Business-Type	Total	Unit
	<u>Activities</u>	<u>Activities</u>		<u>Levi Heywood</u>
				<u>Library Association</u>
Assets				
Current:				
Cash and short-term investments	\$ 31,754,173	\$ 11,882,922	\$ 43,637,095	\$ 75,551
Investments	9,257,618	-	9,257,618	895,443
Receivables:				
Property taxes	993,157	-	993,157	-
Excises	691,588	-	691,588	-
User fees	-	3,704,889	3,704,889	-
Departmental	1,270,736	-	1,270,736	-
Intergovernmental	-	-	-	362,975
Leases	63,571	-	63,571	-
Other assets	-	-	-	9,524
Total Current Assets	<u>44,030,843</u>	<u>15,587,811</u>	<u>59,618,654</u>	<u>1,343,493</u>
Noncurrent:				
Receivables:				
Property taxes	1,998,181	-	1,998,181	-
Leases	796,939	-	796,939	-
Land and construction in progress	89,838,128	13,399,652	103,237,780	389,162
Capital assets, net of accumulated depreciation	<u>54,853,169</u>	<u>26,612,611</u>	<u>81,465,780</u>	<u>3,930,030</u>
Total Noncurrent Assets	<u>147,486,417</u>	<u>40,012,263</u>	<u>187,498,680</u>	<u>4,319,192</u>
Total Assets	191,517,260	55,600,074	247,117,334	5,662,685
Deferred Outflows of Resources				
Related to pension	6,338,903	750,958	7,089,861	-
Related to OPEB	<u>15,359,601</u>	<u>98,934</u>	<u>15,458,535</u>	<u>-</u>
Total Deferred Outflows of Resources	21,698,504	849,892	22,548,396	-

(continued)

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

CITY OF GARDNER, MASSACHUSETTS

Statement of Net Position
June 30, 2023

(continued)

	Primary Government			Component
	Governmental	Business-Type	Total	Unit
	Activities	Activities		Levi Heywood
				Library Association
Liabilities				
Current:				
Accounts payable	1,814,280	70,830	1,885,110	6,124
Accrued payroll and withholdings	1,354,958	-	1,354,958	189,786
Guaranteed deposits	894,327	-	894,327	-
Accrued claims payable	694,267	-	694,267	-
Unearned revenue	3,210,762	-	3,210,762	-
Other current liabilities	28,292	-	28,292	-
Current portion of long-term liabilities:				
Bonds and loans payable	2,434,554	1,318,590	3,753,144	-
Equipment notes payable	270,328	-	270,328	-
Landfill liability	-	41,051	41,051	-
Total Current Liabilities	10,701,768	1,430,471	12,132,239	195,910
Noncurrent:				
Bonds and loans payable, net of current portion	54,072,349	20,084,757	74,157,106	-
Equipment notes payable, net of current portion	4,961,764	-	4,961,764	-
Landfill liability, net of current portion	-	451,555	451,555	-
Net pension liability	35,957,533	4,259,822	40,217,355	-
Net OPEB liability	105,676,465	680,686	106,357,151	-
Compensated absences liability	991,459	52,352	1,043,811	-
Total Noncurrent Liabilities	201,659,570	25,529,172	227,188,742	-
Total Liabilities	212,361,338	26,959,643	239,320,981	195,910
Deferred Inflows of Resources				
Related to pension	1,212,815	143,681	1,356,496	-
Related to OPEB	41,855,699	269,602	42,125,301	-
Related to leases	860,510	-	860,510	-
Total Deferred Inflows of Resources	43,929,024	413,283	44,342,307	-
Net Position				
Invested in capital assets	98,801,080	19,257,487	118,058,567	4,319,192
Restricted for:				
Debt service/capital projects	4,004,832	-	4,004,832	-
School choice	3,869,790	-	3,869,790	-
Other purposes	1,601,887	-	1,601,887	-
Permanent funds:				
Nonexpendable	452,771	-	452,771	235,170
Expendable	74,986	-	74,986	123,181
Unrestricted	(151,879,944)	9,819,553	(142,060,391)	789,232
Total Net Position	\$ (43,074,598)	\$ 29,077,040	\$ (13,997,558)	\$ 5,466,775

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

CITY OF GARDNER, MASSACHUSETTS

Statement of Activities
For the Year Ended June 30, 2023

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			Component Unit Levi Heywood Library Association
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total	
Governmental Activities								
General government	\$ 9,027,869	\$ 1,861,721	\$ 1,879,450	\$ 93,166	\$ (5,193,532)	\$ -	\$ (5,193,532)	\$ -
Public safety	16,077,535	3,151,846	3,229,487	-	(9,696,202)	-	(9,696,202)	-
Education	55,426,760	339,962	37,503,118	8,466,269	(9,117,411)	-	(9,117,411)	-
Public works	6,322,852	90,878	817,125	895,413	(4,519,436)	-	(4,519,436)	-
Health and human services	1,755,749	41,013	477,796	-	(1,236,940)	-	(1,236,940)	-
Culture and recreation	2,271,304	107,011	162,312	1,223	(2,000,758)	-	(2,000,758)	-
Interest	1,658,165	-	-	-	(1,658,165)	-	(1,658,165)	-
Intergovernmental	<u>1,921,942</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,921,942)</u>	<u>-</u>	<u>(1,921,942)</u>	<u>-</u>
Total Governmental Activities	94,462,176	5,592,431	44,069,288	9,456,071	(35,344,386)	-	(35,344,386)	-
Business-Type Activities								
Water operations	3,394,282	3,927,274	-	21,390	-	554,382	554,382	-
Sewer operations	3,886,641	3,231,363	-	8,190	-	(647,088)	(647,088)	-
Golf operations	927,623	1,258,850	-	-	-	331,227	331,227	-
Solid waste operations	1,974,606	1,795,281	-	-	-	(179,325)	(179,325)	-
Landfill operations	<u>118,204</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(118,204)</u>	<u>(118,204)</u>	<u>-</u>
Total Business-type Activities	<u>10,301,356</u>	<u>10,212,768</u>	<u>-</u>	<u>29,580</u>	<u>-</u>	<u>(59,008)</u>	<u>(59,008)</u>	<u>-</u>
Total Primary Government	\$ <u>104,763,532</u>	\$ <u>15,805,199</u>	\$ <u>44,069,288</u>	\$ <u>9,485,651</u>	(35,344,386)	(59,008)	(35,403,394)	-
Component Unit								
Levi Heywood Library Association	\$ <u>1,251,813</u>	\$ <u>12,901</u>	\$ <u>1,030,567</u>	\$ <u>-</u>	-	-	-	(208,345)
General Revenues and Transfers								
Property taxes					31,984,768	-	31,984,768	-
Excises					2,839,424	-	2,839,424	-
Penalties, interest, and other taxes					506,306	-	506,306	-
Grants and contributions not restricted to specific programs					5,141,537	-	5,141,537	-
Investment income					1,027,238	208,190	1,235,428	71,395
Miscellaneous					1,761,625	41,083	1,802,708	-
Transfers					<u>(2,005,525)</u>	<u>2,005,525</u>	<u>-</u>	<u>-</u>
Total General Revenues and Transfers					<u>41,255,373</u>	<u>2,254,798</u>	<u>43,510,171</u>	<u>71,395</u>
Change in Net Position					5,910,987	2,195,790	8,106,777	(136,950)
Net Position								
Beginning of Year					<u>(48,985,585)</u>	<u>26,881,250</u>	<u>(22,104,335)</u>	<u>5,603,725</u>
End of Year					\$ <u>(43,074,598)</u>	\$ <u>29,077,040</u>	\$ <u>(13,997,558)</u>	\$ <u>5,466,775</u>

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

CITY OF GARDNER, MASSACHUSETTS

Governmental Funds
Balance Sheet
June 30, 2023

	General Fund	School Improvement Bond Fund	City Federal Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and short-term investments	\$ 6,700,270	\$ 11,331,051	\$ 3,238,638	\$ 10,163,303	\$ 31,433,262
Investments	5,211,938	-	-	491,570	5,703,508
Receivables:				-	
Property taxes	993,157	-	-	-	993,157
Tax title	1,998,181	-	-	-	1,998,181
Excises	691,588	-	-	-	691,588
Departmental	1,227,201	-	-	43,534	1,270,735
Leases	860,510	-	-	-	860,510
Total Assets	\$ <u>17,682,845</u>	\$ <u>11,331,051</u>	\$ <u>3,238,638</u>	\$ <u>10,698,407</u>	\$ <u>42,950,941</u>
Liabilities					
Accounts payable	\$ 401,719	\$ 355,971	\$ 298,592	\$ 433,798	\$ 1,490,080
Accrued payroll and withholdings	1,354,958	-	-	-	1,354,958
Guaranteed deposits	894,327	-	-	-	894,327
Unearned revenue	62,500	-	3,148,262	-	3,210,762
Other liabilities	9,586	2,423	-	16,283	28,292
Total Liabilities	2,723,090	358,394	3,446,854	450,081	6,978,419
Deferred Inflows of Resources					
Unavailable revenues	4,910,311	-	-	43,534	4,953,845
Lease related	860,510	-	-	-	860,510
Total Deferred Inflows of Resources	5,770,821	-	-	43,534	5,814,355
Fund Balances					
Nonspendable	-	-	-	452,771	452,771
Restricted	-	10,972,657	-	9,865,567	20,838,224
Assigned	2,597,755	-	-	-	2,597,755
Unassigned	6,591,179	-	(208,216)	(113,546)	6,269,417
Total Fund Balances	<u>9,188,934</u>	<u>10,972,657</u>	<u>(208,216)</u>	<u>10,204,792</u>	<u>30,158,167</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ <u>17,682,845</u>	\$ <u>11,331,051</u>	\$ <u>3,238,638</u>	\$ <u>10,698,407</u>	\$ <u>42,950,941</u>

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

CITY OF GARDNER, MASSACHUSETTS

Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
in the Statement of Net Position
June 30, 2023

Total Governmental Fund Balances	\$ 30,158,167
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	144,691,297
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	4,953,845
Internal service funds are used by management to account for health insurance activities. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.	2,856,554
Long-term liabilities, including bonds and loans payable, liabilities for landfill and compensated absences, and net pension liability and net OPEB liability (net of related deferrals) are not due and payable in the current period and, therefore are not reported in governmental funds.	<u>(225,734,461)</u>
Net Position of Governmental Activities	<u>\$ (43,074,598)</u>

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

CITY OF GARDNER, MASSACHUSETTS

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

	General Fund	School Improvement Bond Fund	City Federal Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 31,306,943	\$ -	\$ -	\$ -	\$ 31,306,943
Excises	2,569,430	-	-	-	2,569,430
Penalties, interest, and other taxes	506,306	-	-	-	506,306
Charges for services	3,168,937	-	-	1,135,138	4,304,075
Intergovernmental	33,521,672	8,466,269	2,822,079	10,793,921	55,603,941
Licenses and permits	769,066	-	-	-	769,066
Fines and forfeitures	77,868	-	-	-	77,868
Investment income	877,183	-	-	53,559	930,742
Miscellaneous	750,358	8,000	-	236,810	995,168
	<u>73,547,763</u>	<u>8,474,269</u>	<u>2,822,079</u>	<u>12,219,428</u>	<u>97,063,539</u>
Total Revenues					
	73,547,763	8,474,269	2,822,079	12,219,428	97,063,539
Expenditures					
Current:					
General government	3,427,134	-	6,062	3,250,683	6,683,879
Public safety	9,270,315	-	2,355,111	622,574	12,248,000
Education	33,178,704	16,761,944	-	8,576,785	58,517,433
Public works	3,986,438	-	257,808	1,272,459	5,516,705
Health and human services	1,108,503	-	-	107,295	1,215,798
Culture and recreation	1,051,311	-	-	724,787	1,776,098
Employee benefits	15,481,012	-	-	-	15,481,012
Debt service:					
Principal	2,533,865	-	-	-	2,533,865
Interest	1,827,719	-	-	-	1,827,719
Intergovernmental	1,921,942	-	-	-	1,921,942
	<u>73,786,943</u>	<u>16,761,944</u>	<u>2,618,981</u>	<u>14,554,583</u>	<u>107,722,451</u>
Total Expenditures					
	73,786,943	16,761,944	2,618,981	14,554,583	107,722,451
Excess (Deficiency) of Revenues Over Expenditures	(239,180)	(8,287,675)	203,098	(2,335,155)	(10,658,912)
Other Financing Sources (Uses)					
Transfers in	39,348	35,000	-	290,680	365,028
Transfers out	(473,180)	-	-	(1,897,373)	(2,370,553)
	<u>(433,832)</u>	<u>35,000</u>	<u>-</u>	<u>(1,606,693)</u>	<u>(2,005,525)</u>
Total Other Financing Sources (Uses)					
	(433,832)	35,000	-	(1,606,693)	(2,005,525)
Change in fund balance	(673,012)	(8,252,675)	203,098	(3,941,848)	(12,664,437)
Fund Balance at Beginning of Year, as reclassified	9,861,946	19,225,332	(411,314)	14,146,640	42,822,604
Fund Balance at End of Year	\$ <u>9,188,934</u>	\$ <u>10,972,657</u>	\$ <u>(208,216)</u>	\$ <u>10,204,792</u>	\$ <u>30,158,167</u>

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

CITY OF GARDNER, MASSACHUSETTS

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

Net Changes in Fund Balances - Total Governmental Funds	\$ (12,664,437)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>	
Capital purchases	20,787,228
Depreciation	(4,075,917)
<p>The repayment of the principal of long-term debt consumes the financial resources of governmental funds, but has no effect on net position.</p>	2,533,865
<p>Amortization of bond premiums reduces interest expense on the statement of net position.</p>	169,554
<p>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, loans, etc.) differ between the two statements. This amount represents the net change in unavailable revenues.</p>	451,668
<p>The internal service fund is used by management to account for health insurance activities. The net activity of the internal service fund is reported with governmental activities.</p>	(618,346)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:</p>	
Change in pension expense from GASB 68	(104,387)
Change in OPEB expense from GASB 75	(1,508,412)
Other differences.	940,171
Change in Net Position of Governmental Activities	\$ 5,910,987

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

CITY OF GARDNER, MASSACHUSETTS

Proprietary Funds
Statement of Net Position
June 30, 2023

	Business-Type Activities Enterprise Funds					Governmental Activities
	Water Fund	Sewer Fund	Golf Fund	Nonmajor Funds	Total	Internal Service Fund
Assets						
Current:						
Cash and short-term investments	\$ 3,551,127	\$ 6,828,211	\$ 718,921	\$ 784,663	\$ 11,882,922	\$ 320,912
Investments	-	-	-	-	-	3,554,110
User fees receivable	<u>1,391,910</u>	<u>1,648,675</u>	<u>-</u>	<u>664,304</u>	<u>3,704,889</u>	<u>-</u>
Total Current Assets	4,943,037	8,476,886	718,921	1,448,967	15,587,811	3,875,022
Noncurrent:						
Land and construction in progress	12,920,739	59,260	419,653	-	13,399,652	-
Capital assets, net of accumulated depreciation	<u>9,971,557</u>	<u>16,351,953</u>	<u>267,834</u>	<u>21,267</u>	<u>26,612,611</u>	<u>-</u>
Total Noncurrent Assets	<u>22,892,296</u>	<u>16,411,213</u>	<u>687,487</u>	<u>21,267</u>	<u>40,012,263</u>	<u>-</u>
Total Assets	27,835,333	24,888,099	1,406,408	1,470,234	55,600,074	3,875,022
Deferred Outflows of Resources						
Related to pension	233,682	265,856	194,120	57,300	750,958	-
Related to OPEB	<u>30,917</u>	<u>18,550</u>	<u>23,188</u>	<u>26,279</u>	<u>98,934</u>	<u>-</u>
Total Deferred Outflows of Resources	264,599	284,406	217,308	83,579	849,892	-

(continued)

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

CITY OF GARDNER, MASSACHUSETTS

Proprietary Funds
Statement of Net Position
June 30, 2023

(continued)

	Business-Type Activities Enterprise Funds					Governmental Activities
	Water Fund	Sewer Fund	Golf Fund	Nonmajor Funds	Total	Internal Service Fund
Liabilities						
Current:						
Accounts payable	52,413	5,597	12,224	596	70,830	324,201
Accrued claims payable	-	-	-	-	-	694,267
Current portion of long-term liabilities:						
Bonds and loans payable	672,633	645,957	-	-	1,318,590	-
Landfill liability	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,051</u>	<u>41,051</u>	<u>-</u>
Total Current Liabilities	725,046	651,554	12,224	41,647	1,430,471	1,018,468
Noncurrent:						
Bonds and loans payable, net of current portion	10,221,276	9,863,481	-	-	20,084,757	-
Landfill liability, net of current portion	-	-	-	451,555	451,555	-
Net pension liability	1,325,564	1,508,070	1,101,151	325,037	4,259,822	-
Net OPEB liability	212,714	127,629	159,536	180,807	680,686	-
Compensated absences liability	<u>-</u>	<u>-</u>	<u>52,352</u>	<u>-</u>	<u>52,352</u>	<u>-</u>
Total Noncurrent Liabilities	<u>11,759,554</u>	<u>11,499,180</u>	<u>1,313,039</u>	<u>957,399</u>	<u>25,529,172</u>	<u>-</u>
Total Liabilities	12,484,600	12,150,734	1,325,263	999,046	26,959,643	1,018,468
Deferred Inflows of Resources						
Related to pension	44,710	50,867	37,141	10,963	143,681	-
Related to OPEB	<u>84,250</u>	<u>50,551</u>	<u>63,188</u>	<u>71,613</u>	<u>269,602</u>	<u>-</u>
Total Deferred Inflows of Resources	128,960	101,418	100,329	82,576	413,283	-
Net Position						
Invested in capital assets, net of related debt	12,646,958	5,901,775	687,487	21,267	19,257,487	-
Unrestricted	<u>2,839,414</u>	<u>7,018,578</u>	<u>(489,363)</u>	<u>450,924</u>	<u>9,819,553</u>	<u>2,856,554</u>
Total Net Position	<u>\$ 15,486,372</u>	<u>\$ 12,920,353</u>	<u>\$ 198,124</u>	<u>\$ 472,191</u>	<u>\$ 29,077,040</u>	<u>\$ 2,856,554</u>

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

CITY OF GARDNER, MASSACHUSETTS

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

	Business-Type Activities Enterprise Funds					Governmental Activities
	Water Fund	Sewer Fund	Golf Fund	Nonmajor Funds	Total	Internal Service Fund
Operating Revenues						
Charges for services	\$ 3,927,274	\$ 3,231,363	\$ 1,258,850	\$ 1,795,281	\$ 10,212,768	\$ -
Employee contributions	-	-	-	-	-	2,923,190
Employer contributions	-	-	-	-	-	8,740,381
Other	-	-	38,537	2,546	41,083	-
Total Operating Revenues	<u>3,927,274</u>	<u>3,231,363</u>	<u>1,297,387</u>	<u>1,797,827</u>	<u>10,253,851</u>	<u>11,663,571</u>
Operating Expenses						
Salary and benefits	284,826	380,617	365,962	351,046	1,382,451	13,232,549
Other operating expenses	2,174,115	2,185,025	538,472	1,737,118	6,634,730	-
Depreciation	<u>727,266</u>	<u>1,086,450</u>	<u>23,189</u>	<u>4,646</u>	<u>1,841,551</u>	<u>-</u>
Total Operating Expenses	<u>3,186,207</u>	<u>3,652,092</u>	<u>927,623</u>	<u>2,092,810</u>	<u>9,858,732</u>	<u>13,232,549</u>
Operating Income (Loss)	741,067	(420,729)	369,764	(294,983)	395,119	(1,568,978)
Nonoperating Revenues (Expenses)						
Intergovernmental revenue	21,390	8,190	-	-	29,580	-
Insurance reimbursement	-	-	-	-	-	854,135
Investment income	77,248	108,975	8,850	13,117	208,190	96,497
Interest expense	<u>(208,075)</u>	<u>(234,549)</u>	<u>-</u>	<u>-</u>	<u>(442,624)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses), Net	<u>(109,437)</u>	<u>(117,384)</u>	<u>8,850</u>	<u>13,117</u>	<u>(204,854)</u>	<u>950,632</u>
Income (Loss) Before Transfers	631,630	(538,113)	378,614	(281,866)	190,265	(618,346)
Transfers in	1,897,373	-	-	230,000	2,127,373	-
Transfers out	<u>-</u>	<u>(39,348)</u>	<u>-</u>	<u>(82,500)</u>	<u>(121,848)</u>	<u>-</u>
Change in Net Position	2,529,003	(577,461)	378,614	(134,366)	2,195,790	(618,346)
Net Position at Beginning of Year	<u>12,957,369</u>	<u>13,497,814</u>	<u>(180,490)</u>	<u>606,557</u>	<u>26,881,250</u>	<u>3,474,900</u>
Net Position at End of Year	<u>\$ 15,486,372</u>	<u>\$ 12,920,353</u>	<u>\$ 198,124</u>	<u>\$ 472,191</u>	<u>\$ 29,077,040</u>	<u>\$ 2,856,554</u>

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

CITY OF GARDNER, MASSACHUSETTS

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

	Business-Type Activities Enterprise Funds					Governmental Activities
	Water Fund	Sewer Fund	Golf Fund	Nonmajor Funds	Total	Internal Service Fund
Cash Flows From Operating Activities						
Receipts from customers and users	\$ 3,757,179	\$ 3,187,111	\$ 1,297,387	\$ 1,728,517	\$ 9,970,194	\$ -
Payments to vendors and employees	(2,652,697)	(2,698,626)	(936,575)	(1,846,759)	(8,134,657)	-
Receipts from employees and employer	-	-	-	-	-	11,663,571
Payments of employee benefits and expenses	-	-	-	-	-	(12,891,570)
Net Cash Provided By (Used For) Operating Activities	1,104,482	488,485	360,812	(118,242)	1,835,537	(1,227,999)
Cash Flows From Non-Capital Financing Activities						
Insurance reimbursements	-	-	-	-	-	854,135
Transfer in/(out)	1,897,373	(39,348)	-	147,500	2,005,525	-
Net Cash Provided By (Used For) Non-Capital Activities	1,897,373	(39,348)	-	147,500	2,005,525	854,135
Cash Flows From Capital and Related Financing Activities						
Receipts from governments	21,390	8,190	-	-	29,580	-
Acquisition and construction of capital assets	(1,965,498)	(337,581)	(113,565)	(21,267)	(2,437,911)	-
Principal payments on bonds	(671,161)	(639,501)	-	-	(1,310,662)	-
Interest paid	(208,075)	(234,549)	-	-	(442,624)	-
Net Cash (Used For) Capital and Related Financing Activities	(2,823,344)	(1,203,441)	(113,565)	(21,267)	(4,161,617)	-
Cash Flows From Investing Activities						
Sale of investments	-	-	-	-	-	565,298
Investment income	77,248	108,975	8,850	13,117	208,190	96,497
Net Cash Provided By (Used For) Investing Activities	77,248	108,975	8,850	13,117	208,190	661,795
Net Change in Cash and Short-Term Investments	255,759	(645,329)	256,097	21,108	(112,365)	287,931
Cash and Short-Term Investments, Beginning of Year	3,295,368	7,473,540	462,824	763,555	11,995,287	32,981
Cash and Short-Term Investments, End of Year	\$ 3,551,127	\$ 6,828,211	\$ 718,921	\$ 784,663	\$ 11,882,922	\$ 320,912

(continued)

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

CITY OF GARDNER, MASSACHUSETTS

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

(continued)

	Business-Type Activities Enterprise Funds					Governmental Activities
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Golf Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>	<u>Internal Service Fund</u>
Reconciliation of Operating Income (Loss) to Net						
Cash Provided By (Used For) Operating Activities						
Operating income (loss)	\$ 741,067	\$ (420,729)	\$ 369,764	\$ (294,983)	\$ 395,119	\$ (1,568,978)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	727,266	1,086,450	23,189	4,646	1,841,551	-
Changes in assets, liabilities, and deferred outflows/inflows:						
User fees receivable	(170,095)	(44,252)	-	(69,310)	(283,657)	-
Deferred outflows - related to pension	(83,290)	(105,307)	(81,228)	(25,268)	(295,093)	-
Deferred outflows - related to OPEB	12,827	7,696	7,433	(26,279)	1,677	-
Accounts and other payables	5,428	1,559	1,411	(20,992)	(12,594)	254,410
Accrued/other liabilities	-	-	-	42,806	42,806	86,569
Compensated absences liability	-	-	11,849	-	11,849	-
Net OPEB liability	(16,314)	(9,788)	(784)	180,807	153,921	-
Net pension liability	233,875	342,657	281,676	92,522	950,730	-
Deferred inflows - related to pension	(353,280)	(374,001)	(261,610)	(73,804)	(1,062,695)	-
Deferred inflows - related to OPEB	<u>6,998</u>	<u>4,200</u>	<u>9,112</u>	<u>71,613</u>	<u>91,923</u>	<u>-</u>
Net Cash Provided By (Used For) Operating Activities	\$ <u>1,104,482</u>	\$ <u>488,485</u>	\$ <u>360,812</u>	\$ <u>(118,242)</u>	\$ <u>1,835,537</u>	\$ <u>(1,227,999)</u>

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

CITY OF GARDNER, MASSACHUSETTS

Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2023

	<u>Private Purpose Trust Funds</u>	<u>Pension and OPEB Trust Funds</u>	<u>Custodial Funds</u>
Assets			
Cash and short-term investments	\$ 16,033	\$ 24,515	\$ 155,564
Investments:			
Corporate equities	857,485	-	-
Mutual funds	286,955	200,029	-
Exchange-traded products	2,341,465	-	-
External investment pool	<u>-</u>	<u>68,943,392</u>	<u>-</u>
Total Investments	3,485,905	69,143,421	-
Accounts receivable	<u>-</u>	<u>429,905</u>	<u>-</u>
Total Assets	3,501,938	69,597,841	155,564
Liabilities			
Accounts payable	<u>-</u>	<u>214,476</u>	<u>8,549</u>
Total Liabilities	-	214,476	8,549
Net Position			
Restricted for pension	-	69,183,336	-
Restricted for OPEB purposes	-	200,029	-
Restricted for individuals and organizations	<u>3,501,938</u>	<u>-</u>	<u>147,015</u>
Total Net Position	\$ <u>3,501,938</u>	\$ <u>69,383,365</u>	\$ <u>147,015</u>

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

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

	Private Purpose <u>Trust Funds</u>	Pension and OPEB <u>Trust Funds</u>	Custodial <u>Funds</u>
Additions			
Contributions:			
Employer	\$ -	\$ 8,977,994	\$ -
Other systems and Commonwealth of Massachusetts	-	184,287	-
Plan members	-	1,601,718	-
Transfers from other systems	-	275,447	-
Other	<u>95,430</u>	<u>-</u>	<u>118,491</u>
Total Contributions	95,430	11,039,446	118,491
Investment Income:			
Interest and dividends	237,244	-	-
Appreciation (depreciation) in fair value of investments	-	(8,612,365)	-
Less: Management fees	<u>-</u>	<u>(361,361)</u>	<u>-</u>
Net Investment Income (Loss)	<u>237,244</u>	<u>(8,973,726)</u>	<u>-</u>
Total Additions	332,674	2,065,720	118,491
Deductions			
Benefit payments to plan members and beneficiaries	-	11,227,635	-
Transfers to other systems	-	294,623	-
Reimbursements to other systems	-	210,468	-
Administrative expenses	-	166,192	-
Student activity expenses	-	-	117,864
Scholarships	<u>110,190</u>	<u>-</u>	<u>-</u>
Total Deductions	<u>110,190</u>	<u>11,898,918</u>	<u>117,864</u>
Change in Net Position	222,484	(9,833,198)	627
Restricted Net Position			
Beginning of Year	<u>3,279,454</u>	<u>79,216,563</u>	<u>146,388</u>
End of Year	\$ <u><u>3,501,938</u></u>	\$ <u><u>69,383,365</u></u>	\$ <u><u>147,015</u></u>

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

CITY OF GARDNER, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

Reporting Entity

The City is a municipal corporation governed by an elected City Council. As required by GAAP, these financial statements present the City and applicable component units for which the City is considered to be financially accountable. The criteria provided in GASB Codification section 2100 have also been considered and as a result, the component units discussed below are included in the City's reporting entity because of their operational significance and financial relationship with the City.

Discretely Presented Component Unit

The Levi Heywood Library Association (the Association) is a Massachusetts nonprofit corporation that is exempt from federal income taxes under Section 501 (a) of the Internal Revenue Code (IRC) as an organization described in IRC Section 501 (c)(3). The mission of the Association is to provide library services to the citizens of Gardner and neighboring cities.

The Association's staff is employed by the City and this support accounts for over 90% of the Association's operating revenue. Due to the significance of the City's support to the Association's operations, it has been determined to be a component unit of the City.

The Association was audited by other auditors. Additional financial information can be obtained by contacting the Association located at 55 West Lynde Street, Gardner, Massachusetts 01440.

Fiduciary Component Unit

The Gardner Contributory Retirement System (the System) was established to provide retirement benefits primarily to employees and their beneficiaries. The System's pension trust fund is included in fiduciary funds and is presented using the accrual basis of accounting.

Additional financial information of the System can be obtained by contacting the System located at Gardner Retirement Board, 95 Pleasant St. #17, Gardner, Massachusetts 01440.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

The City reports the following major governmental funds:

- The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *School Improvement Bond Fund* is used to account for long-term capital projects related to various school properties. The projects are mostly funded by borrowing and the use of free cash.
- The *City Federal Grants Fund* is used to account for revenue and expenditures related to various federal grants.

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

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

The City reports the following major proprietary funds:

- *Water Fund*
- *Sewer Fund*
- *Golf Fund*

The City's self-insured employee health program is reported as an internal service fund in the accompanying financial statements.

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

The City reports the following fiduciary funds:

- The *Private Purpose Trust Funds* are used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals and private organizations.
- The *Pension and OPEB Trust Funds* are used to accumulate resources for retiree post-employment benefits.
- The *Custodial Funds* account for fiduciary assets held by the City in a custodial capacity as an agent on behalf of others and are not required to be reported elsewhere on the financial statements. Custodial funds include student activity funds.

Cash and Investments

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

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

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

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

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution.

Property Tax Limitations

Legislation known as “Proposition 2½” has limited the amount of revenue that can be derived from property taxes. The prior fiscal year’s tax levy limit is used as a base and cannot increase by more than 2.5% (excluding new growth), unless an override is voted. Certain provisions of Proposition 2 ½ can be overridden by a referendum.

Leases Receivable

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

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

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

Capital Assets

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

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Infrastructure	30 - 50
Machinery and equipment	5 - 10
Office equipment and furniture	5 - 10
Vehicles	5

Compensated Absences

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

Long-Term Liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

Fund Equity

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

Fund Balance

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

- *Nonspendable* represents amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. This fund balance classification includes nonmajor governmental fund reserves for the principal portion of permanent trust funds.
- *Restricted* represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes capital projects funded by bond

issuances, various special revenue funds, and the income portion of permanent trust funds.

- *Committed* represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority. This fund balance classification includes General Fund encumbrances for non-lapsing special article appropriations approved by City Council.
- *Assigned* represents amounts that are constrained by the City's intent to use these resources for a specific purpose. This fund balance classification includes General Fund encumbrances that have been established by various City departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.
- *Unassigned* represents amounts that are available to be spent in future periods and deficit balances in non-General Fund accounts.

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

Net Position

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

Use of Estimates

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

2. Stewardship, Compliance, and Accountability

Budgetary Information

The Mayor presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by the City Council, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at City Council

meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the City Council is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. “Extraordinary” includes expenses which are not in the usual line, or are great or exceptional. “Unforeseen” includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line-item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by Massachusetts General Laws and must be raised in the next year’s tax rate. At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year. Formal budgetary integration is employed as a management control device during the year for the General Fund and proprietary funds.

Deficit Fund Equity

Certain nonmajor governmental funds reflected deficit balances as of June 30, 2023:

City Federal Grants Fund	\$	208,216
Community Development Block Grant Fund		70,012
Police Detail Fund		<u>43,534</u>
Total	\$	<u><u>321,762</u></u>

It is anticipated that the deficits in these funds will be eliminated through future departmental revenues and transfers from other funds.

3. Deposits and Investments – City (Excluding the Pension Trust Fund)

Massachusetts General Laws (MGL) Chapter 44, Section 55 place certain limitation on the nature of deposits and investments available to the City. Deposits, including demand deposits, money market funds, and certificates of deposits in any one financial institution, may not exceed 60% of the capital and surplus of such institution unless collateralized by the institution involved. Investments may be made in unconditionally guaranteed U.S. government obligations having maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consist of such obligations. Other allowable investments include certificates of deposits having a maturity date of up to 3 years from the date of purchase, national banks, and Massachusetts Municipal Depository Trust (MMDT). MMDT, which is an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts, meets the criteria established by GASB 79, *Certain External Investment Pools and Pool Participants*, to report its investments at amortized cost, which approximates the net asset value of \$1.00 per share. MMDT has an average maturity of less than 1 year and is not rated or subject to custodial credit risk disclosure. MGL Chapter 44, Section 54 provides additional investment options for certain special revenue, trust, and OPEB funds.

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned. The City's policies related to the custodial credit risk of deposits consist of complying with applicable Massachusetts General Laws and obtaining collateralization agreements for any amounts in excess of FDIC or DIF.

As of June 30, 2023, \$29,212,894 of the City's bank balance was either insured or collateralized and \$16,073,025 was on deposit with the Massachusetts Municipal Depository Trust, which is the state investment pool as authorized by Massachusetts General Laws, Chapter 29, Section 38A.

Investments

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

<u>Investment Type</u>	<u>Amount</u>
Corporate bonds	\$ 4,441,645
Corporate equities	2,156,021
Fixed income mutual funds	2,777,004
U.S. Treasury notes	2,705,408
Federal agencies	<u>863,474</u>
Total investments	<u>\$ 12,943,552</u>

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in possession of another party. The City does not have formal investment policies related to custodial credit risk.

As of June 30, 2023, the City did not have investments subject to custodial credit risk exposure as all assets were held in the City's name.

Credit Risk – Investments in Debt Securities

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. The City does not have formal investment policies related to credit risk.

As of June 30, 2023, the City's investments in U.S. Treasury notes had an implied Standard & Poor's (S&P Global) rating of AAA, while the remaining fixed-income securities were rated as follows by S&P Global Ratings:

<u>Investment Type</u>	<u>Amount</u>	<u>AAA</u>	<u>AA - A-</u>	<u>BBB+ - B</u>	<u>Unrated</u>
Corporate bonds	\$ 4,441,645	\$ -	\$ 2,355,075	\$ 2,086,570	\$ -
Fixed income mutual funds	2,777,004	320,875	1,113,245	195,907	1,146,977
Federal agencies	<u>863,474</u>	<u>863,474</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>8,082,123</u>	\$ <u>1,184,349</u>	\$ <u>3,468,320</u>	\$ <u>2,282,477</u>	\$ <u>1,146,977</u>

Concentration of Credit Risk

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

As of June 30, 2023, the City did not have investments in any one issuer that exceeded 5% of total investments.

Interest Rate Risk – Investments in Debt Securities

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City does not have formal investment policies limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, however, it manages risk by the diversification and prudent selection of investment instruments and choice of depository.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations was as follows at June 30, 2023:

<u>Investment Type</u>	<u>Amount</u>	<u>Average Maturity (Years)</u>
Corporate bonds	\$ 4,441,645	5.27
Fixed income mutual funds	2,777,004	2.18
U.S. Treasury notes	2,705,408	4.92
Federal agencies	<u>863,474</u>	4.89
Total	\$ <u>10,787,531</u>	

Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The City does not permit investments in foreign currency, which is prohibited under Massachusetts General Laws.

Fair Value

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

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

Level 1 – inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2 – inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as Level 2.

Level 3 – unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

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

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

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value Measurements Using:</u>	
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>
Corporate bonds	\$ 4,441,645	\$ -	\$ 4,441,645
Corporate equities	2,156,021	2,156,021	-
Fixed income mutual funds	2,777,004	-	2,777,004
U.S. Treasury notes	2,705,408	2,705,408	-
Federal agencies	<u>863,474</u>	<u>-</u>	<u>863,474</u>
Total	<u>\$ 12,943,552</u>	<u>\$ 4,861,429</u>	<u>\$ 8,082,123</u>

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

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

4. Investments – Levi Heywood Memorial Library Association (Component Unit)

The following is a summary of the Levi Heywood Memorial Library Association (the Association) investments as of June 30, 2023:

<u>Investment Type</u>	<u>Amount</u>
Fixed income securities	\$ 244,089
Domestic equities	640,500
Certificate of deposit	<u>10,854</u>
Total investments	<u>\$ 895,443</u>

Fair Value

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

The hierarchy is based on the valuation inputs used to measure the fair value of an asset or liability and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The Association’s investments are classified in Level 1, with inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date.

5. Investments - Pension Trust Fund

At December 31, 2022, all of the Pension Trust Fund’s investments totaling \$68,943,392 were in an external investment pool, the Pension Reserves Investment Trust (PRIT) Fund. The PRIT Fund was created under Massachusetts General Laws, Chapter 32, Section 22, in December 1983. Fair value is the same as the value of the pool share. The PRIT Fund is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board. The Pension Reserves Investment Management Board shall choose an

investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts General Laws, Chapter 30B.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the System will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The System does not have a formal investment policy for custodial credit risk but manages custodial risk through diversification and “prudent person” principles outlined in Public Employee Retirement Administration Commission (PERAC) guidelines.

All the Pension Trust Fund’s investments were comprised of pooled investment funds at December 31, 2022, which are exempt from custodial risk disclosure.

Credit Risk – Investments in Debt Securities

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Massachusetts General Laws, Chapter 32, Section 23, limits the investment of pension trust funds, to the extent not required for current disbursements, in the PRIT Fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth of Massachusetts, provided that no more than the established percentage of assets, is invested in any one security.

At December 31, 2022, all of the Pension Trust Fund’s investments were comprised of pooled investment funds, which are exempt from credit risk disclosure.

Concentration of Credit Risks

Massachusetts General Laws, Chapter 32, Section 23 limit the amount of pension trust funds that may be invested in any one issuer or security type, with the exception of the PRIT Fund.

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

At December 31, 2022, all of the Pension Trust Fund’s investments were in the PRIT Fund, which is exempt from concentration of credit risk disclosure.

Interest Rate Risk

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

Information about the sensitivity of the fair values of the Pension Trust Fund’s investments to market interest rate fluctuations is not applicable as all of the Pension Trust Fund’s investments are immediately liquid.

Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The System does not have formal investment policies related to foreign currency risk and the Pension Trust Fund’s investments are not subject to foreign currency risk.

Fair Value

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

The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The net asset value (NAV) per share is the amount of net assets attributable to each share outstanding at the close of the period. Investments measured using NAV for fair value are not subject to hierarchy level classification.

The Pension Trust Fund’s fair value measurements as of December 31, 2022 were as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
Investments measured using net asset value (NAV):				
PRIT Fund	\$ 68,943,392	\$ -	Monthly	30 Days

6. Property Taxes and Excises Receivable

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

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

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

A statewide property tax limitation known as “Proposition 2 ½” limits the amount of increase in the property tax levy in any fiscal year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2 ½% of the total assessed value of all taxable property within the City. Secondly, the tax levy cannot increase by more than 2 1/2 % of the prior year’s levy plus the taxes on property newly added to the tax rolls. The actual fiscal year 2023 tax levy reflected an excess capacity of \$163,389.

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

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

	<u>Gross Amount</u>	<u>Current Portion</u>	<u>Long- Term Portion</u>
Real estate taxes	\$ 878,011	\$ 878,011	\$ -
Personal property taxes	115,146	115,146	-
Tax liens	<u>1,998,181</u>	<u>-</u>	<u>1,998,181</u>
Total Property Taxes	<u>\$ 2,991,338</u>	<u>\$ 993,157</u>	<u>\$ 1,998,181</u>
Motor vehicle excise	<u>\$ 691,588</u>	<u>\$ 691,588</u>	<u>\$ -</u>
Ambulance	\$ 864,366	\$ 864,366	\$ -
Other departmental	<u>406,370</u>	<u>406,370</u>	<u>-</u>
Total Departmental	<u>\$ 1,270,736</u>	<u>\$ 1,270,736</u>	<u>\$ -</u>

7. Leases Receivable

Leases receivable consisted of the following at June 30, 2023:

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Net Present Value End of Year</u>
Governmental Activities/General Fund:			
Airport hangers	2.56%	04/01/40	\$ 315,198
Solar easements	2.56%	12/27/32	<u>545,312</u>
Total Governmental Activities/General Fund			<u>\$ 860,510</u>

The lease related inflows of resources totaled \$85,600 in fiscal year 2023.

8. Unearned Revenue

The balance reported in unearned revenue primarily represents the unspent portion of the American Rescue Plan Act (ARPA) grant at June 30, 2023.

9. Capital Assets – Primary Government

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

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 58,089,083	\$ 1,564,472	\$ -	\$ 59,653,555
Machinery, equipment, and furnishings	15,347,915	1,126,342	(158,221)	16,316,036
Infrastructure	<u>43,347,393</u>	<u>1,829,540</u>	<u>-</u>	<u>45,176,933</u>
Total Capital Assets, Being Depreciated	116,784,391	4,520,354	(158,221)	121,146,524
Less accumulated depreciation for:				
Buildings and improvements	(30,325,000)	(1,618,385)	-	(31,943,385)
Machinery, equipment, and furnishings	(11,209,046)	(1,009,770)	158,221	(12,060,595)
Infrastructure	<u>(20,841,613)</u>	<u>(1,447,762)</u>	<u>-</u>	<u>(22,289,375)</u>
Total Accumulated Depreciation	<u>(62,375,659)</u>	<u>(4,075,917)</u>	<u>158,221</u>	<u>(66,293,355)</u>
Total Capital Assets, Being Depreciated, Net	54,408,732	444,437	-	54,853,169
Capital assets, not being depreciated:				
Land	4,400,235	137,822	(164,900)	4,373,157
Construction in progress (CIP)	<u>69,171,019</u>	<u>18,340,330</u>	<u>(2,046,378)</u>	<u>85,464,971</u>
Total capital assets, not being depreciated	<u>73,571,254</u>	<u>18,478,152</u>	<u>(2,211,278)</u>	<u>89,838,128</u>
Governmental Activities Capital Assets, Net	<u>\$ 127,979,986</u>	<u>\$ 18,922,589</u>	<u>\$ (2,211,278)</u>	<u>\$ 144,691,297</u>
Business-Type Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 21,316,918	\$ -	\$ -	\$ 21,316,918
Machinery, equipment, and furnishings	5,534,588	710,583	(90,100)	6,155,071
Infrastructure	<u>31,814,802</u>	<u>1,524,410</u>	<u>-</u>	<u>33,339,212</u>
Total Capital Assets, Being Depreciated	58,666,308	2,234,993	(90,100)	60,811,201
Less accumulated depreciation for:				
Buildings and improvements	(13,249,278)	(525,475)	-	(13,774,753)
Machinery, equipment, and furnishings	(4,256,084)	(378,225)	90,100	(4,544,209)
Infrastructure	<u>(14,941,777)</u>	<u>(937,851)</u>	<u>-</u>	<u>(15,879,628)</u>
Total Accumulated Depreciation	<u>(32,447,139)</u>	<u>(1,841,551)</u>	<u>90,100</u>	<u>(34,198,590)</u>
Total Capital Assets, Being Depreciated, Net	26,219,169	393,442	-	26,612,611
Capital assets, not being depreciated:				
Land	1,011,422	-	-	1,011,422
Construction in progress (CIP)	<u>12,236,765</u>	<u>1,675,875</u>	<u>(1,524,410)</u>	<u>12,388,230</u>
Total Capital Assets, Not Being Depreciated	<u>13,248,187</u>	<u>1,675,875</u>	<u>(1,524,410)</u>	<u>13,399,652</u>
Business-Type Activities Capital Assets, Net	<u>\$ 39,467,356</u>	<u>\$ 2,069,317</u>	<u>\$ (1,524,410)</u>	<u>\$ 40,012,263</u>

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

Governmental Activities	
General government	\$ 511,571
Public safety	883,299
Education	927,641
Public works	1,612,386
Human services	81,294
Culture and recreation	<u>59,726</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 4,075,917</u>
Business-Type Activities	
Water	\$ 727,266
Sewer	1,086,450
Golf	23,189
Solid Waste	<u>4,646</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,841,551</u>

10. Capital Assets – Levi Heywood Memorial Library Association (Component Unit)

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

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 7,157,326	\$ 44,782	\$ -	\$ 7,202,108
Furniture and fixtures	552,100	-	-	552,100
Equipment	<u>125,443</u>	<u>-</u>	<u>-</u>	<u>125,443</u>
Total Capital Assets, Being Depreciated	7,834,869	44,782	-	7,879,651
Less accumulated depreciation	<u>(3,825,281)</u>	<u>(222,390)</u>	<u>-</u>	<u>(4,047,671)</u>
Total Capital Assets, Being Depreciated, Net	4,009,588	(177,608)	-	3,831,980
Capital assets, not being depreciated:				
Land	389,162	-	-	389,162
Art collection	<u>98,050</u>	<u>-</u>	<u>-</u>	<u>98,050</u>
Total Capital Assets, Not Being Depreciated	<u>487,212</u>	<u>-</u>	<u>-</u>	<u>487,212</u>
Total Capital Assets, Net	<u>\$ 4,496,800</u>	<u>\$ (177,608)</u>	<u>\$ -</u>	<u>\$ 4,319,192</u>

11. Deferred Outflows of Resources

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

12. Long-Term Debt

General Obligation Bonds and Loans

The City issues general obligation bonds and direct borrowings to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

Equipment Bank Note Payable

In August 2016, the City signed an agreement with a total cost of \$6.7 million to upgrade and/or replace numerous items throughout the City with more energy efficient alternatives.

General obligation bonds and direct borrowings outstanding are as follows:

<u>Governmental Activities</u>					Amount
	Original	Issue	Serial	Interest	Outstanding
<u>General Obligation Bonds</u>	<u>Borrowing</u>	<u>Date</u>	<u>Maturities Through</u>	<u>Rate(s) %</u>	<u>as of June 30, 2023</u>
Public offerings:					
Police Station 2014	\$ 12,000,000	03/07/14	03/01/34	3.0-5.0%	\$ 7,750,000
General Obligation 2020	5,659,000	12/08/20	12/15/40	1.0-4.0%	5,000,000
Elementary School 2021	18,778,000	08/12/21	08/01/51	2.0-5.0%	18,135,000
Elementary School 2022	22,435,000	06/23/22	01/15/52	4.0-5.0%	<u>21,380,000</u>
Total public offerings					\$ <u>52,265,000</u>
<u>Business-Type Activities</u>					Amount
	Original	Serial	Serial	Interest	Outstanding
<u>General Obligation Bonds</u>	<u>Borrowing</u>	<u>Maturities Through</u>	<u>Maturities Through</u>	<u>Rate(s) %</u>	<u>as of June 30, 2023</u>
Public offerings:					
Water Mains and Treatment Facility 2012	\$ 3,205,000	12/08/20	12/15/40	1.0-4.0%	\$ 1,108,000
Water Mains and Treatment Facility 2021	2,727,000	08/12/21	08/01/41	2.0-5.0%	2,703,187
Sewer Mains 2021	640,000	08/12/21	08/01/41	2.0-5.0%	605,000
Sewer Mains 2022	815,000	06/23/22	01/15/52	4.0-5.0%	785,000
Water Mains and Repaving 2022	6,570,000	06/23/22	01/15/52	4.0-5.0%	<u>6,663,813</u>
Total public offerings					11,865,000
<u>Loans - Direct Borrowings</u>					
Water treatment (MWPAT 03-10)	2,895,502	02/01/07	08/01/24	2.0%	418,909
Sewer treatment (MWPAT 03-10)	840,630	02/01/07	08/01/24	2.0%	122,602
Sewer treatment (MCWT 15-21)	4,433,242	04/13/17	01/15/37	2.0%	3,297,084
Sewer Treatment (CWP-17-23)	5,802,527	05/11/21	01/15/41	2.0%	5,222,273
Sewer Treatment (CWP-17-23A)	530,533	05/11/21	01/15/41	2.0%	<u>477,479</u>
Total loans - direct borrowings					<u>9,538,347</u>
Total business-type activities					\$ <u>21,403,347</u>

Future Debt Service

The annual payments to retire all general obligation bonds and loans payable outstanding (excluding bond premium amortization) as of June 30, 2023 were as follows:

<u>Governmental</u>	<u>Bonds - Public Offerings</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 2,265,000	\$ 1,933,901
2025	2,295,000	1,823,601
2026	2,310,000	1,724,301
2027	2,325,000	1,624,501
2028	2,345,000	1,523,432
2029 - 2033	12,040,000	6,107,785
2034 - 2038	9,060,000	4,010,145
2039 - 2043	7,640,000	2,621,280
2044 - 2048	6,825,000	1,495,837
2049 - 2054	<u>5,160,000</u>	<u>402,153</u>
Total	\$ <u>52,265,000</u>	\$ <u>23,266,936</u>

<u>Business-Type</u>	<u>Bonds - Public Offerings</u>		<u>Loans - Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 530,000	\$ 488,947	\$ 788,590	\$ 191,457
2025	530,000	463,147	798,706	169,524
2026	525,000	437,347	529,641	159,021
2027	525,000	411,797	534,270	148,429
2028	525,000	386,247	538,999	137,743
2029 - 2033	2,560,000	1,564,777	2,769,612	525,052
2034 - 2038	2,440,000	1,067,825	2,628,572	242,815
2039 - 2043	2,055,000	644,331	949,957	37,998
2044 - 2048	1,215,000	352,818	-	-
2049 - 2054	<u>960,000</u>	<u>102,002</u>	<u>-</u>	<u>-</u>
Total	\$ <u>11,865,000</u>	\$ <u>5,919,238</u>	\$ <u>9,538,347</u>	\$ <u>1,612,039</u>

The following represents future payments on the equipment bank note payable:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 270,328	\$ 109,672	\$ 380,000
2025	296,204	103,796	400,000
2026	302,528	97,473	400,001
2027	318,764	91,236	410,000
2028	356,002	83,998	440,000
2029 - 2033	2,147,101	292,899	2,440,000
2034 - 2036	<u>1,541,165</u>	<u>58,834</u>	<u>1,599,999</u>
Total	\$ <u>5,232,092</u>	\$ <u>837,908</u>	\$ <u>6,070,000</u>

Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-Term Portion
Governmental Activities						
Bonds payable	\$ 54,534,187	\$ -	\$ (2,269,187)	\$ 52,265,000	\$ (2,265,000)	\$ 50,000,000
Unamortized bond premium	4,411,457	-	(169,554)	4,241,903	(169,554)	4,072,349
Subtotal	58,945,644	-	(2,438,741)	56,506,903	(2,434,554)	54,072,349
Note payable - direct borrowing	5,496,770	-	(264,678)	5,232,092	(270,328)	4,961,764
Net pension liability	25,046,454	10,911,079	-	35,957,533	-	35,957,533
Net OPEB liability	113,987,216	-	(8,310,751)	105,676,465	-	105,676,465
Compensated absences liability	994,056	75,733	(78,330)	991,459	-	991,459
Total	\$ <u>204,470,140</u>	\$ <u>10,986,812</u>	\$ <u>(11,092,500)</u>	\$ <u>204,364,452</u>	\$ <u>(2,704,882)</u>	\$ <u>201,659,570</u>

	Beginning Balance	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-Term Portion
Business-Type Activities						
Bonds payable	\$ 12,400,813	\$ -	\$ (535,813)	\$ 11,865,000	\$ (530,000)	\$ 11,335,000
Direct borrowings	10,313,196	-	(774,849)	9,538,347	(788,590)	8,749,757
Subtotal	22,714,009	-	(1,310,662)	21,403,347	(1,318,590)	20,084,757
Net pension liability	3,309,092	950,730	-	4,259,822	-	4,259,822
Net OPEB liability	526,765	153,921	-	680,686	-	680,686
Landfill liability	449,800	42,806	-	492,606	(41,051)	451,555
Compensated absences liability	40,503	11,849	-	52,352	-	52,352
Total	\$ <u>27,040,169</u>	\$ <u>1,159,306</u>	\$ <u>(1,310,662)</u>	\$ <u>26,888,813</u>	\$ <u>(1,359,641)</u>	\$ <u>25,529,172</u>

Long-Term Debt Supporting Governmental and Business-Type Activities

Bonds and loans issued by the City for various municipal projects are approved by City Council and repaid with revenues recorded in the General Fund and user fees recorded in enterprise funds. All other long-term debt is repaid from the funds that the cost related to, primarily the General Fund and enterprise funds.

13. Landfill Closure and Postclosure Care Costs

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

The \$492,606 reported as landfill post-closure care liability at June 30, 2023 represents the remaining estimated post-closure costs. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The City's Landfill Enterprise Fund is expected to fund the future monitoring costs, with funds transferred from the General Fund.

14. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net assets by the City that apply to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and are more fully described in the corresponding pension and OPEB notes. Unavailable revenues are reported in the governmental funds Balance Sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year. Deferred inflows of resources related to leases are reported in fund-basis and government-wide financial statements.

15. Governmental Funds – Fund Balances

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

	General Fund	School Improvement Bond Fund	City Federal Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Permanent funds	\$ -	\$ -	\$ -	\$ 452,771	\$ 452,771
Total Nonspendable	-	-	-	452,771	452,771
Restricted					
Bonded projects	-	10,972,657	-	700,762	11,673,419
Debt service/capital projects	-	-	-	4,004,832	4,004,832
School choice	-	-	-	3,869,790	3,869,790
Other purposes	-	-	-	1,215,197	1,215,197
Permanent funds	-	-	-	74,986	74,986
Total Restricted	-	10,972,657	-	9,865,567	20,838,224
Assigned					
General government	346,363	-	-	-	346,363
Public safety	520,776	-	-	-	520,776
Education	861,450	-	-	-	861,450
Public works	784,856	-	-	-	784,856
Health and human services	19,687	-	-	-	19,687
Culture and recreation	64,623	-	-	-	64,623
Total Assigned	2,597,755	-	-	-	2,597,755
Unassigned					
General Fund	2,825,925	-	-	-	2,825,925
Stabilization Fund	3,765,254	-	-	-	3,765,254
Deficit fund balances	-	-	(208,216)	(113,546)	(321,762)
Total Unassigned	6,591,179	-	(208,216)	(113,546)	6,269,417
Total Fund Balances	\$ 9,188,934	\$ 10,972,657	\$ (208,216)	\$ 10,204,792	\$ 30,158,167

16. Transfers

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

<u>Governmental Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 39,348	\$ 473,180
School Improvement Bond Fund	35,000	-
Nonmajor Governmental funds:		
Special revenue funds	-	1,897,373
Capital project funds	<u>290,680</u>	<u>-</u>
Subtotal Nonmajor Governmental Funds	290,680	1,897,373
 <u>Business-Type Funds:</u>		
Water Fund	1,897,373	-
Sewer Fund	-	39,348
Nonmajor Funds:		
Solid Waste	-	82,500
Landfill	<u>230,000</u>	<u>-</u>
Subtotal Business-Type Funds	<u>2,127,373</u>	<u>121,848</u>
 Total	<u>\$ 2,492,401</u>	<u>\$ 2,492,401</u>

The City’s routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the General Fund to other funds based on budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to expend them.

The transfer into the Water Fund represents an amount appropriated from bond premiums out of the Receipts Reserved for Appropriation Fund to pay off the Water Fund note payable.

17. Gardner Contributory Retirement System

The City follows the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans* and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* with respect to employees’ retirement funds.

Plan Description

The System is governed by Chapter 32 of Massachusetts General Laws. Because of the significance of its operational and financial relationship with the City, the System’s trust fund is included as a pension trust fund in the City’s basic financial statements.

Substantially all employees of the City (except teachers and administrators under contract employed by the School Department) scheduled to work a minimum of 20 hours per week, are members of the Gardner Contributory Retirement System, a cost-sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid.

The System is governed by a five-member board. The five members include two appointed by the City, two elected by the members and retirees, and a fifth member chosen by the other four members with the approval of the Public Employee Retirement Administration Commission. The System Retirement Board does not have the authority to amend benefit provisions.

Membership of the System consisted of the following at January 1, 2022:

Retirees and beneficiaries receiving benefits	268
Terminated plan members entitled to but not yet receiving benefits	136
Active plan members	<u>313</u>
Total	<u><u>717</u></u>
Number of participating employers	2

Participant Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of Massachusetts General Laws. The employee’s individual contribution percentage is determined by their date of entry into the System. In addition, all employees hired on or after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 – December 31, 1983	7%
January 1, 1984 – June 30, 1996	8%
Beginning July 1, 1996	9%

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

Participant Retirement Benefits

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

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

Participation is mandatory for all full-time employees whose employment commences before age 65. There are three classes of members in the retirement system:

- Group 1 – General employees, including clerical, administrative, and technical employees
- Group 2 – Employees in specified hazardous occupations (i.e., electricians)
- Group 4 – Police and firefighters

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

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

Methods of Payment

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

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member—provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree’s beneficiary or beneficiaries of choice.
- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member’s designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or “pops up” to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable “pops up” to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

Employer Contributions

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

The City’s contribution to the System for the year ended June 30, 2023 was \$5,181,111 which exceeded its actuarially determined contribution by \$17,313.

Summary of Significant Accounting Policies

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to Pension

At June 30, 2023, the City reported a liability of \$40,217,355 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial

valuation as of January 1, 2022 rolled forward to December 31, 2022. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2023, the City's proportion was 96.38%, which was an increase of 0.53% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the City recognized pension expense of \$4,878,440. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 4,514,444	\$ -
Changes in assumptions	2,189,003	531,755
Differences between expected and actual experience	198,313	792,573
Changes in proportion and differences between contributions and proportionate share of contributions	<u>188,101</u>	<u>32,168</u>
Total	<u>\$ 7,089,861</u>	<u>\$ 1,356,496</u>

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

Year Ended June 30:

2024	\$ 628,245
2025	819,424
2026	1,387,043
2027	2,891,972
2028	<u>6,681</u>
Total	<u>\$ 5,733,365</u>

Actuarial Assumptions

A summary of the actuarial assumptions as of the latest actuarial valuation is shown below:

Valuation Date	1/1/2022
Actuarial cost method	Entry Age Normal Cost Method
Actuarial assumptions:	
Investment rate of return	7.00%
Projected salary increases	9.00 - 25.55% in year 1-2, 3.25% - 8.25% thereafter
Inflation rate	2.60% per year
Post-retirement cost-of-living adjustment	3.00% on first \$13,000

Ongoing actuarial valuation of the System involves estimates of the reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Mortality rates were based on RP-2014 table adjusted to 2006 and projected generationally with MP-2021. Mortality rates for disabled retirees follows the same table as non-disabled retirees, set forward two years.

Target Allocations

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	32-42%	
U.S. equity		4.39%
International equities		4.19%
Emerging equities		6.82%
Core fixed income	12-18%	
Core bonds		2.05%
Short-term fixed income		1.17%
Treasury STRIPS		1.66%
TIPS/ILBS		1.46%
Value-added fixed income	5-11%	5.07%
Private equity	13-19%	7.41%
Real estate	7-13%	3.02%
Timberland	1-7%	4.29%
Portfolio completion (PCS)	7-13%	3.80%

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate

of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

1% Decrease	Current Discount Rate	1% Increase
<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
\$51,561,579	\$40,217,355	\$30,612,428

Pension Plan Fiduciary Net Position

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

18. Massachusetts Teachers’ Retirement System (MTRS)

Plan Description

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

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

Benefits Provided

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

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

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

Contributions

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

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

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

Actuarial Assumptions

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

- (a) 2.50% inflation rate, (b) 7.00% investment rate of return, (c) 3.50% interest rate credited to the annuity savings fund and (d) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality from 2012-2020.
- Mortality rates were as follows:
 - Pre-retirement – reflects Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
 - Post-retirement – reflects Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
 - Disability – assumed to be in accordance with the Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).

Target Allocations

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth of Massachusetts’s contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current discount rate (in thousands):

1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
\$32,734,080	\$25,888,138	\$20,094,302

Special Funding Situation

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

City Proportions

In fiscal year 2022 (the most recent measurement period), the City’s proportionate share of the MTRS’ collective net pension liability was \$54,046,866 based on a proportionate share of 0.212%. As required by GASB 68, the City has recognized its portion of the Commonwealth of Massachusetts’s contribution of \$4,393,798 as both a revenue and expenditure on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and its portion of the collective pension expense of \$4,445,882 as both a revenue and expense on the Statement of Activities.

19. Other Postemployment Benefits (GASB 74 and GASB 75)

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2017, the City established a single-employer defined benefit OPEB Trust Fund to provide funding for future employee health care costs. The OPEB Trust Fund does not issue a standalone financial report.

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

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

General Information about the OPEB Plan

Plan Description

The City provides postemployment healthcare benefits for retired employees through the City's plan. The City provides health insurance coverage through Blue Cross/Blue Shield. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of Massachusetts General Laws.

Benefits Provided

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

Funding Policy

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

Plan Membership

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

Inactive employees or beneficiaries currently receiving benefit payments	231
Inactive employees or beneficiaries entitled to but not yet receiving benefit payments	13
Active employees	<u>541</u>
Total	<u><u>785</u></u>

Investments

The OPEB Trust Fund's assets consisted of mutual funds at June 30, 2023.

Rate of Return

For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 7.85%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of July 1, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Investment rate of return	6.00%
Municipal bond rate	3.65%
Discount rate	3.65%
Healthcare cost trend rates	7.50% for 2023, decreasing .1%-.5% per year to an ultimate rate of 5.00%

Mortality rates were based on Pub-2010 Headcount-weighted Mortality Tables, sex-distinct, for Employees (for pre-retirement) and Pub-2010 Headcount-weighted Mortality Tables, sex-distinct, for Healthy Retirees (for post-retirement), projected using generational mortality and scale MP-2021.

Target Allocations

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

major asset class included in the target asset allocation as of June 30, 2023 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	29.00%	3.90%
International equity	19.00%	5.75%
Domestic bond	26.00%	1.39%
International bond	6.00%	1.21%
Alternatives	<u>20.00%</u>	3.14%
Total	<u>100.00%</u>	

Contributions

In addition to the implicit subsidy contribution, the City’s policy is to contribute amounts provided annually by the budget.

Discount Rate

The discount rate used to measure the net OPEB liability was 3.65%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. As a result, the discount rate was based on the municipal bond rate of 3.65%.

Net OPEB Liability

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

Total OPEB liability	\$ 106,557,180
Plan fiduciary net position	<u>(200,029)</u>
Net OPEB liability	<u>\$ 106,357,151</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.19%

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

Changes in the Net OPEB Liability

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

	Increase (Decrease)		
	Total OPEB Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net OPEB Liability <u>(a) - (b)</u>
Balances, beginning of year	\$ 114,674,099	\$ 160,118	\$ 114,513,981
Changes for the year:			
Service cost	4,394,045	-	4,394,045
Interest	4,151,715	-	4,151,715
Contributions - employer	-	3,602,283	(3,602,283)
Net investment income	-	13,747	(13,747)
Differences between expected and actual experience	(13,055,833)	-	(13,055,833)
Changes in assumptions*	(30,727)	-	(30,727)
Benefit payments	<u>(3,576,119)</u>	<u>(3,576,119)</u>	<u>-</u>
Net Changes	<u>(8,116,919)</u>	<u>39,911</u>	<u>(8,156,830)</u>
Balances, end of year	\$ <u>106,557,180</u>	\$ <u>200,029</u>	\$ <u>106,357,151</u>

* Changes of assumptions and other inputs reflect a change in the discount rate from 3.54% in 2022 to 3.65% in 2023, a change in the participation percentage from 80% in 2022 to 82.5% in 2023, and a change in the mortality projection scale from MP-2020 to MP-2021.

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

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it was calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current discount rate:

1% Decrease (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
\$ 123,568,605	\$ 106,357,151	\$ 92,612,742

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

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it was calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

1% Decrease (6.5%)	Current Healthcare Cost Trend Rates (7.5%)	1% Increase (8.5%)
\$ 90,169,125	\$ 106,357,151	\$ 127,339,220

OPEB Expense and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to OPEB

For the year ended June 30, 2023, the City recognized an OPEB expense of \$5,358,216. At June 30, 2023, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	\$ -	\$ 18,026,048
Change in assumptions	15,454,032	24,099,253
Net difference between projected and actual OPEB investment earnings	<u>4,503</u>	<u>-</u>
Total	<u>\$ 15,458,535</u>	<u>\$ 42,125,301</u>

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

<u>Year Ended June 30:</u>	
2024	\$ (2,806,865)
2025	(2,935,824)
2026	(5,482,447)
2027	(8,682,293)
2028	(6,264,468)
Thereafter	<u>(494,869)</u>
Total	\$ <u>(26,666,766)</u>

20. Fund Balance Reclassification

To conform with the GASB 34 definition of major funds, the City has made the following reclassification of fund balance on July 1, 2022:

<u>Fund Basis Financial Statements:</u>	City Federal <u>Grants Fund</u>	Nonmajor Governmental <u>Funds</u>
As previously reported	\$ -	\$ 13,735,326
Change in major fund	<u>(411,314)</u>	<u>411,314</u>
As reclassified	\$ <u>(411,314)</u>	\$ <u>14,146,640</u>

21. Consolidation of Pension and OPEB Trust Funds

The Gardner Contributory Retirement System and the City's OPEB Trust Fund are presented in a single column on pages 24 and 25. Details of the financial position as of June 30, 2023 and changes in net position for the year then ended are as follows.

	Pension Trust Fund (December 31, 2022)	Other Post-Employment Benefits Trust Fund	Pension and OPEB Trust Funds
Assets			
Cash and short-term investments	\$ 24,515	\$ -	\$ 24,515
Investments:			
Mutual funds	-	200,029	200,029
External investment pool	<u>68,943,392</u>	<u>-</u>	<u>68,943,392</u>
Total Investments	68,943,392	200,029	69,143,421
Accounts receivable	<u>429,905</u>	<u>-</u>	<u>429,905</u>
Total Assets	69,397,812	200,029	69,597,841
Liabilities			
Accounts payable	<u>214,476</u>	<u>-</u>	<u>214,476</u>
Total Liabilities	214,476	-	214,476
Net Position			
Restricted for pension	69,183,336	-	69,183,336
Restricted for OPEB purposes	<u>-</u>	<u>200,029</u>	<u>200,029</u>
Total Net Position	<u>\$ 69,183,336</u>	<u>\$ 200,029</u>	<u>\$ 69,383,365</u>
Additions			
Contributions:			
Employer	\$ 5,375,711	\$ 3,602,283	\$ 8,977,994
Other systems and Commonwealth of Massachusetts	184,287	-	184,287
Plan members	1,601,718	-	1,601,718
Transfers from other systems	<u>275,447</u>	<u>-</u>	<u>275,447</u>
Total Contributions	7,437,163	3,602,283	11,039,446
Investment Income:			
Appreciation (depreciation) in fair value of investments	(8,626,238)	13,873	(8,612,365)
Less: Management fees	<u>(361,361)</u>	<u>-</u>	<u>(361,361)</u>
Net Investment Income (Loss)	<u>(8,987,599)</u>	<u>13,873</u>	<u>(8,973,726)</u>
Total Additions	(1,550,436)	3,616,156	2,065,720
Deductions			
Benefit payments to plan members and beneficiaries	7,651,516	3,576,119	11,227,635
Transfers to other systems	294,623	-	294,623
Reimbursements to other systems	210,468	-	210,468
Administrative expenses	<u>166,192</u>	<u>-</u>	<u>166,192</u>
Total Deductions	<u>8,322,799</u>	<u>3,576,119</u>	<u>11,898,918</u>
Change in Net Position	(9,873,235)	40,037	(9,833,198)
Restricted Net Position			
Beginning of Year	<u>79,056,571</u>	<u>159,992</u>	<u>79,216,563</u>
End of Year	<u>\$ 69,183,336</u>	<u>\$ 200,029</u>	<u>\$ 69,383,365</u>

22. Self-Insurance

The City self-insures against claims for most employee health coverage. Annual estimated requirements for claims are provided in the City's annual operating budget.

The City's insurance plans are retrospectively rated policies. In other words, the City contributes a level monthly premium which is adjusted quarterly for actual claims paid.

The City contracts with an insurance carrier for excess liability coverage and an insurance consultant for claims processing. Under the terms of its insurance coverage, the City is liable for up to \$110,000 per incident. The City has no maximum aggregate liability for all claims paid within one year. The claims liability represents an estimate of claims incurred but unpaid at year-end, based on past historical costs and claims paid subsequent to year-end.

Changes in the aggregate liability for claims for the years ended June 30, 2023 and 2022 are as follows:

	2023 Health <u>Coverage</u>	2022 Health <u>Coverage</u>
Claims liability, beginning of year	\$ 607,698	\$ 565,462
Claims incurred/recognized	13,232,549	12,266,746
Claims paid	<u>(13,145,980)</u>	<u>(12,224,510)</u>
Claims liability, end of year	<u>\$ 694,267</u>	<u>\$ 607,698</u>

The claims liability at year-end was comprised entirely of an estimate of claims incurred but not reported by year-end.

23. Subsequent Events

Management has evaluated subsequent events through March 6, 2024, which is the date the financial statements were available to be issued.

24. Commitments and Contingencies

Outstanding Legal Issues

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

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including

amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Encumbrances

At year-end the City's General Fund had \$2,597,755 in encumbrances that will be honored in the next fiscal year.

25. New Pronouncement

The Governmental Accounting Standards Board (GASB) has issued GASB Statement No. 101, *Compensated Absences*, effective for the City beginning with its fiscal year ending June 30, 2025. Management is currently evaluating the impact of implementing this GASB pronouncement.

CITY OF GARDNER, MASSACHUSETTS

Required Supplementary Information

General Fund

Schedule of Revenues, Expenditures, and Other Financing Sources/(Uses) –

Budget and Actual

For the Year Ended June 30, 2023

(unaudited)

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues				
Property taxes	\$ 31,371,792	\$ 31,371,792	\$ 31,306,943	\$ (64,849)
Excises	2,097,513	2,297,577	2,569,430	271,853
Penalties, interest, and other taxes	354,619	354,619	506,306	151,687
Charges for services	2,867,784	2,907,132	3,208,286	301,154
Intergovernmental	29,287,411	29,065,907	29,127,874	61,967
Licenses and permits	258,108	258,108	769,066	510,958
Fines and forfeitures	103,494	78,494	77,868	(626)
Investment income	40,000	40,000	799,995	759,995
Miscellaneous	351,176	347,319	509,301	161,982
Total Revenues	66,731,897	66,720,948	68,875,069	2,154,121
Expenditures				
General government	3,274,501	3,491,630	3,413,838	77,792
Public safety	9,227,846	9,774,445	9,505,295	269,150
Education	28,954,329	28,954,335	28,954,335	-
Public works	2,802,816	3,963,923	3,954,440	9,483
Health and human services	1,172,963	1,233,552	1,083,785	149,767
Culture and recreation	1,000,112	1,037,501	1,003,713	33,788
Employee benefits	15,237,720	15,467,721	15,454,848	12,873
Debt service	3,129,740	3,129,740	3,123,077	6,663
Intergovernmental	2,054,044	1,923,039	1,921,942	1,097
Total Expenditures	66,854,071	68,975,886	68,415,273	560,613
Excess (Deficiency) of Revenues over Expenditures	(122,174)	(2,254,938)	459,796	2,714,734
Other Financing Sources/(Uses)				
Transfers in	462,842	266,187	241,057	(25,130)
Transfers out	(1,434,816)	(830,163)	(830,163)	-
Use of free cash	1,094,148	2,818,914	-	(2,818,914)
Total Other Financing Sources/(Uses)	122,174	2,254,938	(589,106)	(2,844,044)
Overall Budgetary Excess (Deficiency)	\$ -	\$ -	\$ (129,310)	\$ (129,310)

See Independent Auditors' Report and Notes to Required Supplementary Information.

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

Budgetary Basis

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

Budget/GAAP Reconciliation

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

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

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
GAAP Basis	\$ 73,547,763	\$ 73,786,943	\$ (433,832)
Reverse the effect of including Stabilization Fund and General Fund activity	(77,270)	-	(330,819)
Reverse expenditures of prior year encumbrances and appropriation carryforwards	-	(2,554,283)	-
Add end of year appropriation carryforwards to expenditures	-	2,005,389	-
To reverse the effect of non-budgeted State contributions for teachers retirement	(4,393,798)	(4,393,798)	-
To reclassify transfers	(201,709)	(26,164)	175,545
Other differences	<u>83</u>	<u>(402,814)</u>	<u>-</u>
Budgetary Basis	<u>\$ 68,875,069</u>	<u>\$ 68,415,273</u>	<u>\$ (589,106)</u>

See Independent Auditors' Report and Notes to Required Supplementary Information.

CITY OF GARDNER, MASSACHUSETTS
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
(Unaudited)
(Amounts expressed in thousands)

Gardner Contributory Retirement System						
Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2023	December 31, 2022	96.38%	\$40,217	\$15,663	256.77%	62.40%
June 30, 2022	December 31, 2021	95.85%	\$28,356	\$15,303	185.30%	72.80%
June 30, 2021	December 31, 2020	95.82%	\$36,972	\$14,560	253.93%	63.43%
June 30, 2020	December 31, 2019	95.69%	\$41,591	\$14,156	293.80%	58.23%
June 30, 2019	December 31, 2018	96.05%	\$42,854	\$12,527	342.09%	54.49%
June 30, 2018	December 31, 2017	95.76%	\$35,854	\$12,285	291.85%	59.78%
June 30, 2017	December 31, 2016	95.51%	\$39,812	\$11,762	338.48%	53.90%
June 30, 2016	December 31, 2015	95.43%	\$38,336	\$10,920	351.06%	53.57%
June 30, 2015	December 31, 2014	95.79%	\$34,546	\$10,465	330.11%	56.63%

Massachusetts Teachers' Retirement System								
Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the City	Total Net Pension Liability Associated with the City	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2023	June 30, 2022	0.21%	\$0	\$54,047	\$54,047	\$15,425	N/A	57.75%
June 30, 2022	June 30, 2021	0.21%	\$0	\$48,112	\$48,112	\$16,695	N/A	62.03%
June 30, 2021	June 30, 2020	0.21%	\$0	\$59,865	\$59,865	\$15,590	N/A	50.67%
June 30, 2020	June 30, 2019	0.21%	\$0	\$54,016	\$54,016	\$15,413	N/A	53.95%
June 30, 2019	June 30, 2018	0.22%	\$0	\$52,040	\$52,040	\$14,939	N/A	54.84%
June 30, 2018	June 30, 2017	0.22%	\$0	\$50,640	\$50,640	\$15,255	N/A	54.25%
June 30, 2017	June 30, 2016	0.23%	\$0	\$51,852	\$51,852	\$14,904	N/A	52.73%
June 30, 2016	June 30, 2015	0.24%	\$0	\$48,175	\$48,175	\$14,565	N/A	55.38%
June 30, 2015	June 30, 2014	0.24%	\$0	\$37,761	\$37,761	\$14,565	N/A	61.64%

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

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

See Independent Auditors' Report.

CITY OF GARDNER, MASSACHUSETTS

Required Supplementary Information
Schedule of Pension Contributions

(Unaudited)

(Amounts expressed in thousands)

Gardner Contributory Retirement System

<u>Fiscal Year</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2023	\$5,164	\$5,181	(\$17)	\$15,663	33.08%
June 30, 2022	\$4,799	\$4,834	(\$35)	\$15,303	31.59%
June 30, 2021	\$4,425	\$4,433	(\$8)	\$14,560	30.45%
June 30, 2020	\$4,075	\$4,075	\$0	\$14,156	28.79%
June 30, 2019	\$3,901	\$3,901	\$0	\$12,527	31.14%
June 30, 2018	\$3,686	\$3,686	\$0	\$12,285	30.00%
June 30, 2017	\$3,485	\$3,485	\$0	\$11,762	29.63%
June 30, 2016	\$3,279	\$3,279	\$0	\$10,920	30.03%
June 30, 2015	\$3,105	\$3,105	\$0	\$10,465	29.67%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Actuarially Determined Contribution Provided by Commonwealth</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2023	\$4,394	\$4,394	\$0	\$18,563	23.67%
June 30, 2022	\$3,705	\$3,705	\$0	\$15,425	24.02%
June 30, 2021	\$3,258	\$3,258	\$0	\$16,695	19.51%
June 30, 2020	\$3,093	\$3,093	\$0	\$15,590	19.84%
June 30, 2019	\$2,886	\$2,886	\$0	\$15,413	18.72%
June 30, 2018	\$2,734	\$2,734	\$0	\$14,939	18.30%
June 30, 2017	\$2,608	\$2,608	\$0	\$15,255	17.10%
June 30, 2016	\$2,403	\$2,403	\$0	\$14,904	16.12%
June 30, 2015	\$2,227	\$2,227	\$0	\$14,565	15.29%

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

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

See Independent Auditors' Report.

CITY OF GARDNER, MASSACHUSETTS
Required Supplementary Information
Schedule of Changes in the Net OPEB Liability
(Unaudited)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability							
Service cost	\$ 4,394,045	\$ 6,478,240	\$ 6,201,627	\$ 5,133,601	\$ 4,562,376	\$ 4,790,887	\$ 5,736,706
Interest	4,151,715	3,083,054	3,379,232	4,086,663	3,871,913	3,566,773	3,063,959
Changes of benefit terms	-	-	-	(1,707,462)	-	-	-
Differences between expected and actual experience	(13,055,833)	-	(11,993,763)	-	(1,066,547)	-	-
Changes of assumptions	(30,727)	(29,362,261)	(4,468,843)	30,962,161	11,893,059	(4,854,961)	(13,084,732)
Benefit payments, including refunds of member contributions	<u>(3,576,119)</u>	<u>(3,561,368)</u>	<u>(3,573,204)</u>	<u>(3,223,547)</u>	<u>(3,015,765)</u>	<u>(2,694,837)</u>	<u>(2,598,945)</u>
Net Change in Total OPEB Liability	(8,116,919)	(23,362,335)	(10,454,951)	35,251,416	16,245,036	807,862	(6,883,012)
Total OPEB Liability - Beginning	<u>114,674,099</u>	<u>138,036,434</u>	<u>148,491,385</u>	<u>113,239,969</u>	<u>96,994,933</u>	<u>96,187,071</u>	<u>103,070,083</u>
Total OPEB Liability - Ending (a)	106,557,180	114,674,099	138,036,434	148,491,385	113,239,969	96,994,933	96,187,071
Plan Fiduciary Net Position							
Contributions - employer	3,602,283	3,597,485	3,596,224	3,254,532	3,030,661	2,717,578	2,623,310
Net investment income (loss)	13,747	(28,513)	26,197	2,435	7,447	(230)	658
Benefit payments, including refunds of member contributions	<u>(3,576,119)</u>	<u>(3,561,368)</u>	<u>(3,573,204)</u>	<u>(3,223,547)</u>	<u>(3,015,765)</u>	<u>(2,694,837)</u>	<u>(2,598,945)</u>
Net Change in Plan Fiduciary Net Position	39,911	7,604	49,217	33,420	22,343	22,511	25,023
Plan Fiduciary Net Position - Beginning	<u>160,118</u>	<u>152,514</u>	<u>103,297</u>	<u>69,877</u>	<u>47,534</u>	<u>25,023</u>	<u>-</u>
Plan Fiduciary Net Position - Ending (b)	<u>200,029</u>	<u>160,118</u>	<u>152,514</u>	<u>103,297</u>	<u>69,877</u>	<u>47,534</u>	<u>25,023</u>
Net OPEB Liability - Ending (a-b)	\$ <u><u>106,357,151</u></u>	\$ <u><u>114,513,981</u></u>	\$ <u><u>137,883,920</u></u>	\$ <u><u>148,388,088</u></u>	\$ <u><u>113,170,092</u></u>	\$ <u><u>96,947,399</u></u>	\$ <u><u>96,162,048</u></u>

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

See Independent Auditors' Report.

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

Schedule of Net OPEB Liability	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability	\$ 106,557,180	\$ 114,674,099	\$ 138,036,434	\$ 148,491,385	\$ 113,239,969	\$ 96,994,933	\$ 96,187,071
Plan fiduciary net position	<u>(200,029)</u>	<u>(160,118)</u>	<u>(152,514)</u>	<u>(103,297)</u>	<u>(69,877)</u>	<u>(47,534)</u>	<u>(25,023)</u>
Net OPEB liability	<u>\$ 106,357,151</u>	<u>\$ 114,513,981</u>	<u>\$ 137,883,920</u>	<u>\$ 148,388,088</u>	<u>\$ 113,170,092</u>	<u>\$ 96,947,399</u>	<u>\$ 96,162,048</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.20%	0.10%	0.10%	0.06%	0.06%	0.05%	0.03%
Covered employee payroll	\$ 34,744,904	\$ 37,307,849	\$ 30,424,259	\$ 30,177,268	\$ 28,202,316	\$ 27,635,969	\$ 26,575,037
Net OPEB liability as a percentage of covered employee payroll	306.11%	306.94%	453.20%	491.72%	401.28%	350.80%	361.85%
 Schedule of Contributions*	 <u>2023*</u>	 <u>2022*</u>	 <u>2021</u>	 <u>2020</u>	 <u>2019</u>	 <u>2018</u>	 <u>2017</u>
Actuarially determined contribution	\$ -	\$ -	\$ 11,920,000	\$ 9,218,000	\$ 8,272,000	\$ 8,319,000	\$ 7,413,000
Contributions in relation to the actuarially determined contribution	<u>-</u>	<u>-</u>	<u>4,589,000</u>	<u>3,255,000</u>	<u>3,031,000</u>	<u>2,718,000</u>	<u>2,623,000</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,331,000</u>	<u>\$ 5,963,000</u>	<u>\$ 5,241,000</u>	<u>\$ 5,601,000</u>	<u>\$ 4,790,000</u>
Covered employee payroll	\$ 34,744,904	\$ 37,307,849	\$ 30,424,259	\$ 30,177,268	\$ 28,202,316	\$ 27,635,969	\$ 26,575,037
Contributions as a percentage of covered employee payroll			24.10%	19.76%	18.58%	20.27%	18.02%
 Schedule of Investment Returns	 <u>2023</u>	 <u>2022</u>	 <u>2021</u>	 <u>2020</u>	 <u>2019</u>	 <u>2018</u>	 <u>2017</u>
Annual money weighted rate of return, net of investment expense	7.85%	-16.22%	22.45%	2.77%	14.93%	-0.60%	5.48%

*The current actuary has not calculated an actuarially determined contribution for Fiscal 2022 or 2023.

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

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

See Independent Auditors' Report.