



TOWN OF FRANKLIN, MASSACHUSETTS

Financial Statements
and Required Supplementary Information
For the Year Ended June 30, 2023

(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

To the Town Council
Town of Franklin, Massachusetts

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Franklin, Massachusetts (the Town), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Franklin, Massachusetts as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*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. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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 sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2024 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Marcum LLP

Andover, MA
May 22, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Franklin, Massachusetts (the Town) we offer readers this narrative overview and analysis of the financial activities of the Town 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 and 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 Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes 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, and culture and recreation. The business-type activities include sewer, water, and solid waste 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 Town'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 Town'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 Town's near-term financing decisions. Reconciliations are provided to facilitate this 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 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 sewer, water, and solid waste operations. The sewer and water funds are considered to be major funds.

Fiduciary Funds

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

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, net position in governmental activities was \$90,321,992 a change of \$1,595,383, and net position in business-type activities was \$68,618,623, a change of \$4,064,785.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$45,795,219, a change of \$2,419,485 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$9,775,740, a reduction of \$5,494,276 in comparison to the prior year. As highlighted in Note 16, because the Town wired \$7,501,821 to Norfolk County Retirement System on June 28, 2023, and not on July 1, 2023, a temporary nonspendable fund balance of \$7,501,821 is needed on June 30, 2023, resulting in the reduction. On the next day, July 1, 2023, the prepaid is liquidated which would result in the \$7,501,821 nonspendable fund balance being added back to unassigned fund balance. Essentially, if the Town had wired funds on July 1, 2023, and not June 28, 2023, unassigned fund balance for the General Fund would have been \$17,277,561, an increase of \$2,007,545 in comparison to the prior year.

Government-Wide Financial Analysis

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

	NET POSITION (in thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets						
Current and other assets	\$ 59,182	\$ 54,892	\$ 14,920	\$ 15,013	\$ 74,102	\$ 69,905
Capital assets	<u>217,869</u>	<u>221,515</u>	<u>77,120</u>	<u>76,065</u>	<u>294,989</u>	<u>297,580</u>
Total Assets	277,051	276,407	92,040	91,078	369,091	367,485
Deferred Outflows of Resources	10,622	5,800	127	76	10,749	5,876
Liabilities						
Current liabilities	10,532	9,263	919	1,531	11,451	10,794
Noncurrent liabilities	<u>165,847</u>	<u>163,708</u>	<u>22,377</u>	<u>24,801</u>	<u>188,224</u>	<u>188,509</u>
Total Liabilities	176,379	172,971	23,296	26,332	199,675	199,303
Deferred Inflows of Resources	<u>20,972</u>	<u>20,509</u>	<u>252</u>	<u>269</u>	<u>21,224</u>	<u>20,778</u>
Net Position						
Net investment in capital assets	160,201	163,529	56,367	53,264	216,568	216,793
Restricted	15,535	14,425	-	-	15,535	14,425
Unrestricted	<u>(85,414)</u>	<u>(89,227)</u>	<u>12,252</u>	<u>11,289</u>	<u>(73,162)</u>	<u>(77,938)</u>
Total Net Position	<u>\$ 90,322</u>	<u>\$ 88,727</u>	<u>\$ 68,619</u>	<u>\$ 64,553</u>	<u>\$ 158,941</u>	<u>\$ 153,280</u>

As noted earlier, net position may serve over time as a useful indicator of the Town’s financial position. At the close of the most recent fiscal year, total net position was \$158,940,615, a change of \$5,660,168 in comparison to the prior year.

The largest portion of net position \$216,568,359 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 \$15,534,307 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$(73,162,051) primarily resulting from unfunded pension and OPEB liabilities.

CHANGES IN NET POSITION (in thousands)

	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenues						
Program revenues:						
Charges for services	\$ 9,424	\$ 9,721	\$ 17,214	\$ 16,981	\$ 26,638	\$ 26,702
Operating grants and contributions	52,919	49,127	2,417	760	55,336	49,887
General revenues:						
Property taxes	92,326	88,647	-	-	92,326	88,647
Excises	7,237	6,479	-	-	7,237	6,479
Penalties, interest, and other taxes	475	375	-	-	475	375
Grants and contributions not restricted to specific programs	5,918	5,315	-	-	5,918	5,315
Investment income (loss)	839	(332)	31	30	870	(302)
Miscellaneous	800	557	31	80	831	637
Total Revenues	169,938	159,889	19,693	17,851	189,631	177,740

(continued)

(continued)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Expenses						
General government	15,945	15,946	-	-	15,945	15,946
Public safety	17,774	16,248	-	-	17,774	16,248
Education	110,974	102,683	-	-	110,974	102,683
Public works	10,018	7,974	-	-	10,018	7,974
Human services	1,633	1,397	-	-	1,633	1,397
Culture and recreation	3,023	2,566	-	-	3,023	2,566
Interest on long-term debt	2,279	2,291	-	-	2,279	2,291
Intergovernmental	6,697	6,171	-	-	6,697	6,171
Sewer services	-	-	5,679	5,193	5,679	5,193
Water services	-	-	7,290	6,481	7,290	6,481
Solid waste services	-	-	2,658	2,333	2,658	2,333
Total Expenses	<u>168,343</u>	<u>155,276</u>	<u>15,627</u>	<u>14,007</u>	<u>183,970</u>	<u>169,283</u>
Change in net position before transfers	1,595	4,613	4,066	3,844	5,661	8,457
Transfers in (out)	<u>-</u>	<u>13</u>	<u>-</u>	<u>(13)</u>	<u>-</u>	<u>-</u>
Change in net position	1,595	4,626	4,066	3,831	5,661	8,457
Net position - beginning of year	<u>88,727</u>	<u>84,101</u>	<u>64,553</u>	<u>60,722</u>	<u>153,280</u>	<u>144,823</u>
Net position - end of year	<u>\$ 90,322</u>	<u>\$ 88,727</u>	<u>\$ 68,619</u>	<u>\$ 64,553</u>	<u>\$ 158,941</u>	<u>\$ 153,280</u>

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$1,595,383. Key elements of this change are as follows:

Change in pension expense from GASB 68	\$ 956,216
Change in OPEB expense from GASB 75	685,064
Other	<u>(45,897)</u>
Total	<u>\$ 1,595,383</u>

Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$4,064,785. The Water Fund's net position increased \$3,246,354 primarily due to user rates raised for capital outlay in the amount of \$2,347,000 as well as the recognition of intergovernmental revenue from the American Rescue Plan Act. The Sewer Fund's net position increased \$689,977 primarily due to user rates raised for capital outlay in the amount of \$985,000.

Financial Analysis of Town's Funds

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

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 Town'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 \$9,775,740, while total fund balance was \$29,197,331. Unassigned fund balance decreased by \$5,494,276 primarily from the \$7,501,821 increase in nonspendable fund balance as described in Note 16. As a measure of the General Fund's liquidity, it may be useful to compare unassigned 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 fund balance (GAAP)	\$ 9,775,740	\$ 15,270,016	\$ (5,494,276)	7.2%
Nonspendable fund balance	<u>7,501,821</u>	<u>-</u>	<u>7,501,821</u>	<u>5.5%</u>
Total (See Note 16)	\$ <u>17,277,561</u>	\$ <u>15,270,016</u>	\$ <u>2,007,545</u>	12.7%

* 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 \$11,349,729.

The total fund balance of the General Fund changed by \$1,712,882 during the current fiscal year. Key factors in this change are as follows:

Use of free cash as a funding source	\$ (4,322,269)
Revenues in excess of budget	3,202,567
Expenditures and encumbrances less than budget	1,957,672
Increase to stabilization funds	1,950,295
Other	<u>(1,075,383)</u>
Total	\$ <u>1,712,882</u>

Stabilization Accounts

The Town has made extensive efforts to maintain and increase their stabilization and other account balances. This effort allows the Town to reduce future debt requirements and stabilize Town finances. There have been many different stabilization funds that have been created and

used throughout the years based on the Town's needs. Included in the fund balances of the General Fund are the following stabilization accounts:

	<u>6/30/23</u>	<u>6/30/22</u>	<u>Change</u>
<i><u>Included in Restricted Fund Balance:</u></i>			
Workers' compensation fund	\$ 351,292	\$ 341,115	\$ 10,177
Unemployment compensation	359,060	358,356	704
Group insurance	707,654	687,151	20,503
Municipal insurance	44,912	49,460	(4,548)
<i><u>Included in Committed Fund Balance:</u></i>			
Open space acquisition stabilization	2,553,578	2,479,594	73,984
Athletic fields stabilization	939,952	769,918	170,034
Fire truck stabilization	117,201	16,462	100,739
Property acquisition / FAC maintenance stabilization	290,710	283,510	7,200
Traffic signal stabilization	4,654	4,651	3
Statewide opioid settlement stabilization	132,622	-	132,622
Metacomet Emergency Communications Center (MECC)	1,140,035	887,694	252,341
<i><u>Included in Unassigned Fund Balance:</u></i>			
General stabilization	6,575,207	6,442,797	132,410
Budget stabilization	<u>3,059,026</u>	<u>2,004,900</u>	<u>1,054,126</u>
Total	<u>\$ 16,275,903</u>	<u>\$ 14,325,608</u>	<u>\$ 1,950,295</u>

Federal Grants Fund Major Governmental Fund

The fund balance of the Federal Grants Fund major governmental fund changed by \$106,333 primarily from timing differences between the receipt and disbursement of grants.

Nonmajor Governmental Funds

The fund balance of the nonmajor governmental funds changed by \$600,270 primarily from timing differences between capital expenditures and permanent financing of capital projects.

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.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$12,251,512, a change of \$961,340 in comparison to the prior year.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$11,224,686 comprised primarily of \$6,335,610 of prior year encumbrances and article carryforwards and \$4,322,269 of various capital items funded by free cash and transfers.

Revenue surplus for the current year was \$3,202,567 compared to \$3,445,832 in the prior year, primarily due to less favorable budgetary results from motor vehicle excise collections, charges for services, and intergovernmental revenue.

Capital Assets and Debt Administration

Capital Assets

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$294,988,814 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery, equipment and furnishings, and infrastructure.

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

- \$3,800,000 for Schmidt Farm land.
- \$2,302,016 for waterline improvements.
- \$575,885 for sewer relining improvements.

Additional information on capital assets can be found in the Notes to Financial Statements.

Long-Term Debt

At the end of the current fiscal year, total bonds and loans outstanding, including unamortized premium, were \$79,913,249, all of which was backed by the full faith and credit of the Town.

During the fiscal year, the Town's Standard & Poor's credit rating increased to AAA from AA+.

Additional information on 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 Town of Franklin's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Finance Director's Office
Town of Franklin
355 East Central Street
Franklin, Massachusetts 02038

TOWN OF FRANKLIN, MASSACHUSETTS

Statement of Net Position
June 30, 2023

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Assets			
Current Assets:			
Cash and short-term investments	\$ 29,817,847	\$ 10,289,883	\$ 40,107,730
Investments	17,632,694	-	17,632,694
Receivables:			
Property taxes	1,238,468	-	1,238,468
Excises	905,453	-	905,453
User fees	852,606	4,360,053	5,212,659
Intergovernmental	-	238,845	238,845
Betterments	-	10,373	10,373
Prepaid expenses	7,501,821	-	7,501,821
Other assets	<u>736,479</u>	<u>-</u>	<u>736,479</u>
Total Current Assets	58,685,368	14,899,154	73,584,522
Noncurrent Assets:			
Receivables:			
Property taxes	497,151	-	497,151
Betterments	-	20,409	20,409
Capital assets:			
Land and construction in progress	27,905,223	6,325,678	34,230,901
Other capital assets, net of accumulated depreciation	<u>189,963,899</u>	<u>70,794,014</u>	<u>260,757,913</u>
Total Noncurrent Assets	<u>218,366,273</u>	<u>77,140,101</u>	<u>295,506,374</u>
Total Assets	277,051,641	92,039,255	369,090,896
Deferred Outflows of Resources			
Related to pension	10,359,603	124,379	10,483,982
Related to OPEB	<u>262,527</u>	<u>3,152</u>	<u>265,679</u>
Total Deferred Outflows of Resources	10,622,130	127,531	10,749,661

(continued)

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

TOWN OF FRANKLIN, MASSACHUSETTS

Statement of Net Position
June 30, 2023

(continued)

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Liabilities			
Current Liabilities:			
Accounts payable	1,511,206	693,601	2,204,807
Accrued liabilities	2,613,873	96,441	2,710,314
Unearned revenue	5,007,927	129,289	5,137,216
Held for performance guarantees	1,190,212	-	1,190,212
Other current liabilities	209,074	-	209,074
Current portion of long-term liabilities:			
Bonds and loans payable	4,507,391	2,390,623	6,898,014
Compensated absences liability	<u>90,555</u>	<u>6,180</u>	<u>96,735</u>
Total Current Liabilities	15,130,238	3,316,134	18,446,372
Noncurrent Liabilities:			
Bonds and loans payable, net of current portion	54,414,431	18,600,804	73,015,235
Compensated absences liability, net of current portion	1,720,540	117,414	1,837,954
Net pension liability	44,672,210	536,340	45,208,550
Net OPEB liability	<u>60,442,253</u>	<u>725,677</u>	<u>61,167,930</u>
Total Noncurrent Liabilities	<u>161,249,434</u>	<u>19,980,235</u>	<u>181,229,669</u>
Total Liabilities	176,379,672	23,296,369	199,676,041
Deferred Inflows of Resources			
Related to OPEB	<u>20,972,107</u>	<u>251,794</u>	<u>21,223,901</u>
Total Deferred Inflows of Resources	20,972,107	251,794	21,223,901
Net Position			
Net investment in capital assets	160,201,249	56,367,110	216,568,359
Restricted for:			
Grants and other statutory restrictions	13,319,535	-	13,319,535
Permanent funds:			
Nonexpendable	508,930	-	508,930
Expendable	1,705,842	-	1,705,842
Unrestricted	<u>(85,413,564)</u>	<u>12,251,513</u>	<u>(73,162,051)</u>
Total Net Position	<u>\$ 90,321,992</u>	<u>\$ 68,618,623</u>	<u>\$ 158,940,615</u>

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

TOWN OF FRANKLIN, MASSACHUSETTS

Governmental Funds
Balance Sheet
June 30, 2023

	General Fund	Federal Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and short-term investments	\$ 13,240,996	\$ 4,931,349	\$ 11,645,502	\$ 29,817,847
Investments	11,866,631	-	5,766,063	17,632,694
Receivables:				
Property taxes	1,717,625	-	17,994	1,735,619
Excises	905,453	-	-	905,453
User fees	852,606	-	-	852,606
Prepaid expenses	7,501,821	-	-	7,501,821
Other assets	736,479	-	-	736,479
	<u>36,821,611</u>	<u>4,931,349</u>	<u>17,429,559</u>	<u>59,182,519</u>
Total Assets	\$ 36,821,611	\$ 4,931,349	\$ 17,429,559	\$ 59,182,519
Liabilities				
Accounts payable	\$ 774,107	\$ 135,364	\$ 601,735	\$ 1,511,206
Accrued liabilities	1,975,203	-	-	1,975,203
Unearned revenue	-	5,007,927	-	5,007,927
Held for performance guarantees	1,190,212	-	-	1,190,212
Other liabilities	209,074	-	-	209,074
	<u>4,148,596</u>	<u>5,143,291</u>	<u>601,735</u>	<u>9,893,622</u>
Total Liabilities	4,148,596	5,143,291	601,735	9,893,622
Deferred Inflows of Resources				
Unavailable revenues	3,475,684	-	17,994	3,493,678
	<u>3,475,684</u>	<u>-</u>	<u>17,994</u>	<u>3,493,678</u>
Total Deferred Inflows of Resources	3,475,684	-	17,994	3,493,678
Fund Balances				
Nonspendable (See Note 16)	7,501,821	-	508,930	8,010,751
Restricted	1,462,918	-	16,300,900	17,763,818
Committed	9,333,237	-	-	9,333,237
Assigned	1,123,615	-	-	1,123,615
Unassigned (See Note 16)	9,775,740	(211,942)	-	9,563,798
	<u>29,197,331</u>	<u>(211,942)</u>	<u>16,809,830</u>	<u>45,795,219</u>
Total Fund Balances	29,197,331	(211,942)	16,809,830	45,795,219
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 36,821,611	\$ 4,931,349	\$ 17,429,559	\$ 59,182,519

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

TOWN OF FRANKLIN, 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	\$ 45,795,219
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	217,869,122
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	3,493,678
<ul style="list-style-type: none">• In the Statement of Activities, interest is accrued on outstanding long-term liabilities, whereas in governmental funds interest is not reported until due.	(638,670)
<ul style="list-style-type: none">• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:<ul style="list-style-type: none">Bonds payableNet pension liability and related deferred outflows and inflows of resourcesNet OPEB liability and related deferred inflows of resourcesCompensated absences liability	(58,921,822)
	(34,312,607)
	(81,151,833)
	<u>(1,811,095)</u>
Net Position of Governmental Activities	<u>\$ 90,321,992</u>

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

TOWN OF FRANKLIN, MASSACHUSETTS

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

	General Fund	Federal Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 90,411,849	\$ -	\$ 1,483,318	\$ 91,895,167
Excises	6,809,588	-	-	6,809,588
Penalties, interest, and other taxes	418,814	-	6,800	425,614
Charges for services	3,873,600	-	4,232,838	8,106,438
Licenses and permits	1,359,431	-	-	1,359,431
Intergovernmental	45,077,733	1,326,924	11,406,316	57,810,973
Fines and forfeitures	70,356	-	2,500	72,856
Contributions	-	-	1,012,305	1,012,305
Investment income	741,272	24,945	72,901	839,118
Miscellaneous	<u>702,885</u>	<u>-</u>	<u>207,204</u>	<u>910,089</u>
Total Revenues	149,465,528	1,351,869	18,424,182	169,241,579
Expenditures				
Current:				
General government	11,452,528	858,764	2,326,743	14,638,035
Public safety	13,446,383	99,779	841,152	14,387,314
Education	84,531,891	-	11,371,914	95,903,805
Public works	5,013,411	-	156,344	5,169,755
Health and human services	921,690	1,200	352,027	1,274,917
Culture and recreation	1,726,342	-	214,504	1,940,846
Insurance and benefits	13,503,189	-	-	13,503,189
Debt service:				
Principal	4,374,000	-	150,000	4,524,000
Interest	2,290,164	-	121,488	2,411,652
Intergovernmental	6,696,773	-	-	6,696,773
Capital outlay	<u>3,805,514</u>	<u>285,793</u>	<u>6,080,501</u>	<u>10,171,808</u>
Total Expenditures	<u>147,761,885</u>	<u>1,245,536</u>	<u>21,614,673</u>	<u>170,622,094</u>
Excess (deficiency) of revenues over expenditures	1,703,643	106,333	(3,190,491)	(1,380,515)
Other Financing Sources (Uses)				
Issuance of bonds	-	-	3,535,000	3,535,000
Bond premiums	-	-	265,000	265,000
Transfers in	24,239	-	15,000	39,239
Transfers out	<u>(15,000)</u>	<u>-</u>	<u>(24,239)</u>	<u>(39,239)</u>
Total Other Financing Sources (Uses)	<u>9,239</u>	<u>-</u>	<u>3,790,761</u>	<u>3,800,000</u>
Change in fund balance	1,712,882	106,333	600,270	2,419,485
Fund Balances, at Beginning of Year	<u>27,484,449</u>	<u>(318,275)</u>	<u>16,209,560</u>	<u>43,375,734</u>
Fund Balances, at End of Year	<u>\$ 29,197,331</u>	<u>\$ (211,942)</u>	<u>\$ 16,809,830</u>	<u>\$ 45,795,219</u>

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

TOWN OF FRANKLIN, 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	\$ 2,419,485																						
<ul style="list-style-type: none"> • 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: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 70%;">Capital outlay</td> <td style="width: 30%; text-align: right;">6,860,180</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(10,506,309)</td> </tr> </table> • The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 70%;">Issuance of debt</td> <td style="width: 30%; text-align: right;">(3,535,000)</td> </tr> <tr> <td>Repayments of debt</td> <td style="text-align: right;">4,524,000</td> </tr> <tr> <td>Additions to bond premium</td> <td style="text-align: right;">(265,000)</td> </tr> <tr> <td>Amortization of bond premium</td> <td style="text-align: right;">92,141</td> </tr> </table> • 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 certain types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue. <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 70%;"></td> <td style="width: 30%; text-align: right;">561,861</td> </tr> </table> • 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: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 70%;">Change in pension expense from GASB 68</td> <td style="width: 30%; text-align: right;">956,216</td> </tr> <tr> <td>Change in OPEB expense from GASB 75</td> <td style="text-align: right;">685,064</td> </tr> <tr> <td>Change in compensated absences</td> <td style="text-align: right;">(237,510)</td> </tr> <tr> <td>Change in accrued interest</td> <td style="text-align: right;"><u>40,255</u></td> </tr> </table> 		Capital outlay	6,860,180	Depreciation	(10,506,309)	Issuance of debt	(3,535,000)	Repayments of debt	4,524,000	Additions to bond premium	(265,000)	Amortization of bond premium	92,141		561,861	Change in pension expense from GASB 68	956,216	Change in OPEB expense from GASB 75	685,064	Change in compensated absences	(237,510)	Change in accrued interest	<u>40,255</u>
Capital outlay	6,860,180																						
Depreciation	(10,506,309)																						
Issuance of debt	(3,535,000)																						
Repayments of debt	4,524,000																						
Additions to bond premium	(265,000)																						
Amortization of bond premium	92,141																						
	561,861																						
Change in pension expense from GASB 68	956,216																						
Change in OPEB expense from GASB 75	685,064																						
Change in compensated absences	(237,510)																						
Change in accrued interest	<u>40,255</u>																						
Change in Net Position of Governmental Activities	\$ <u>1,595,383</u>																						

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

TOWN OF FRANKLIN, MASSACHUSETTS

Proprietary Funds
Statement of Net Position
June 30, 2023

	Business-Type Activities			Total
	Enterprise Funds			
	Sewer Fund	Water Fund	Nonmajor Solid Waste Fund	
Assets				
Current Assets:				
Cash and short-term investments	\$ 3,305,472	\$ 5,684,775	\$ 1,299,636	\$ 10,289,883
Receivables:				
User fees	1,927,492	2,181,844	250,717	4,360,053
Betterments	10,373	-	-	10,373
Intergovernmental receivables	-	238,845	-	238,845
Total Current Assets	5,243,337	8,105,464	1,550,353	14,899,154
Noncurrent Assets:				
Receivables:				
Betterments	20,409	-	-	20,409
Capital assets:				
Land and construction in progress	1,881,164	4,397,583	46,931	6,325,678
Other capital assets, net of accumulated depreciation	10,682,708	60,111,306	-	70,794,014
Total Noncurrent Assets	12,584,281	64,508,889	46,931	77,140,101
Total Assets	17,827,618	72,614,353	1,597,284	92,039,255
Deferred Outflows of Resources				
Related to pension	49,044	75,335	-	124,379
Related to OPEB	1,243	1,909	-	3,152
Total Deferred Outflows of Resources	50,287	77,244	-	127,531
Liabilities				
Current Liabilities:				
Accounts payable	99,077	393,167	201,357	693,601
Accrued liabilities	31,232	60,957	4,252	96,441
Unearned revenue	-	129,289	-	129,289
Current portion of long-term liabilities:				
Bonds and loans payable	293,000	2,097,623	-	2,390,623
Compensated absences liability	2,426	3,231	523	6,180
Total Current Liabilities	425,735	2,684,267	206,132	3,316,134
Noncurrent Liabilities:				
Bonds and loans payable, net of current portion	1,670,000	16,930,804	-	18,600,804
Compensated absences liability, net of current portion	46,098	61,385	9,931	117,414
Net pension liability	211,484	324,856	-	536,340
Net OPEB liability	286,142	439,535	-	725,677
Total Noncurrent Liabilities	2,213,724	17,756,580	9,931	19,980,235
Total Liabilities	2,639,459	20,440,847	216,063	23,296,369
Deferred Inflows of Resources				
Related to OPEB	99,285	152,509	-	251,794
Total Deferred Inflows of Resources	99,285	152,509	-	251,794
Net Position				
Net investment in capital assets	10,600,872	45,719,307	46,931	56,367,110
Unrestricted	4,538,289	6,378,934	1,334,290	12,251,513
Total Net Position	\$ 15,139,161	\$ 52,098,241	\$ 1,381,221	\$ 68,618,623

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

TOWN OF FRANKLIN, MASSACHUSETTS

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

	Business-Type Activities Enterprise Funds			<u>Total</u>
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Nonmajor Solid Waste Fund</u>	
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	
Operating Revenues				
Charges for services	\$ 6,343,990	\$ 8,103,303	\$ 2,766,916	\$ 17,214,209
Operating Expenses				
Salaries and benefits	1,255,808	2,002,833	225,491	3,484,132
Other operating expenses	601,482	2,434,913	2,433,900	5,470,295
Depreciation	455,048	2,282,001	-	2,737,049
Intergovernmental assessments	3,291,760	-	-	3,291,760
Total Operating Expenses	<u>5,604,098</u>	<u>6,719,747</u>	<u>2,659,391</u>	<u>14,983,236</u>
Operating Income	739,892	1,383,556	107,525	2,230,973
Nonoperating Revenues (Expenses)				
Investment income	12,238	16,163	2,975	31,376
Intergovernmental revenue	-	2,416,615	-	2,416,615
Miscellaneous revenues	12,857	-	17,954	30,811
Interest expense	<u>(75,010)</u>	<u>(569,980)</u>	<u>-</u>	<u>(644,990)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(49,915)</u>	<u>1,862,798</u>	<u>20,929</u>	<u>1,833,812</u>
Change in Net Position	689,977	3,246,354	128,454	4,064,785
Net Position at Beginning of Year	<u>14,449,184</u>	<u>48,851,887</u>	<u>1,252,767</u>	<u>64,553,838</u>
Net Position at End of Year	<u>\$ 15,139,161</u>	<u>\$ 52,098,241</u>	<u>\$ 1,381,221</u>	<u>\$ 68,618,623</u>

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

TOWN OF FRANKLIN, MASSACHUSETTS

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

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Nonmajor Solid Waste Fund	Total
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 6,143,237	\$ 8,245,744	\$ 2,748,784	\$ 17,137,765
Payments to vendors	(3,904,966)	(2,454,305)	(2,447,461)	(8,806,732)
Payments to employees	<u>(1,268,864)</u>	<u>(2,115,417)</u>	<u>(221,996)</u>	<u>(3,606,277)</u>
Net Cash Provided By Operating Activities	969,407	3,676,022	79,327	4,724,756
Cash Flows From Noncapital Financing Activities				
Miscellaneous revenues	-	-	17,955	17,955
Intergovernmental revenue	<u>-</u>	<u>1,834,756</u>	<u>-</u>	<u>1,834,756</u>
Net Cash Provided By Noncapital Financing Activities	-	1,834,756	17,955	1,852,711
Cash Flows From Capital and Related Financing Activities				
Acquisition and construction of capital assets	(1,299,620)	(2,492,579)	-	(3,792,199)
Principal payments on bonds and loans	(288,000)	(2,081,252)	-	(2,369,252)
Interest expense	(66,950)	(563,991)	-	(630,941)
Massachusetts Clean Water Trust drawdowns	-	118,900	-	118,900
Other nonoperating income	<u>24,737</u>	<u>-</u>	<u>-</u>	<u>24,737</u>
Net Cash (Used For) Capital and Related Financing Activities	(1,629,833)	(5,018,922)	-	(6,648,755)
Cash Flows From Investing Activities				
Investment income	<u>12,238</u>	<u>16,163</u>	<u>2,975</u>	<u>31,376</u>
Net Change in Cash and Short-Term Investments	(648,188)	508,019	100,257	(39,912)
Cash and Short-Term Investments, Beginning of Year	<u>3,953,660</u>	<u>5,176,756</u>	<u>1,199,379</u>	<u>10,329,795</u>
Cash and Short-Term Investments, End of Year	<u>\$ 3,305,472</u>	<u>\$ 5,684,775</u>	<u>\$ 1,299,636</u>	<u>\$ 10,289,883</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income	\$ 739,892	\$ 1,383,556	\$ 107,525	\$ 2,230,973
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	455,048	2,282,001	-	2,737,049
Changes in assets, liabilities, and deferred outflows/inflows:				
User fees receivable	(200,753)	142,441	(18,132)	(76,444)
Deferred outflows - related to pension	(21,562)	(28,901)	-	(50,463)
Deferred outflows - related to OPEB	(448)	(566)	-	(1,014)
Accounts payable	(11,724)	(19,392)	(13,560)	(44,676)
Net pension liability	72,933	90,759	-	163,692
Net OPEB liability	(74,497)	(169,802)	-	(244,299)
Deferred inflows - related to pension	(60,868)	(102,842)	-	(163,710)
Deferred inflows - related to OPEB	60,171	86,421	-	146,592
Other liabilities	<u>11,215</u>	<u>12,347</u>	<u>3,494</u>	<u>27,056</u>
Net Cash Provided By Operating Activities	<u>\$ 969,407</u>	<u>\$ 3,676,022</u>	<u>\$ 79,327</u>	<u>\$ 4,724,756</u>

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

TOWN OF FRANKLIN, MASSACHUSETTS

Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2023

	Other Post Employment Benefits Trust <u>Fund</u>	Private Purpose Trust <u>Funds</u>	Custodial <u>Funds</u>
Assets			
Cash and short-term investments	\$ -	\$ 67,342	\$ 486,299
Investments:			
External investment pool	<u>12,349,002</u>	<u>-</u>	<u>-</u>
Total Investments	<u>12,349,002</u>	<u>-</u>	<u>-</u>
Total Assets	12,349,002	67,342	486,299
Net Position			
Restricted for OPEB purposes	12,349,002	-	-
Restricted for individuals, organizations and other governments	<u>-</u>	<u>67,342</u>	<u>486,299</u>
Total Net Position	<u>\$ 12,349,002</u>	<u>\$ 67,342</u>	<u>\$ 486,299</u>

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

TOWN OF FRANKLIN, MASSACHUSETTS

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

	Other Post Employment Benefits Trust <u>Fund</u>	Private Purpose Trust Funds	Custodial Funds
Additions			
Contributions:			
Employer	\$ 3,888,754	\$ -	\$ -
Other	<u>-</u>	<u>15,750</u>	<u>427,519</u>
Total Contributions	3,888,754	15,750	427,519
Investment income:			
Investment income	694,331	2,483	561
Investment management fees	<u>(55,063)</u>	<u>-</u>	<u>-</u>
Net investment income	<u>639,268</u>	<u>2,483</u>	<u>561</u>
Total Additions	4,528,022	18,233	428,080
Deductions			
Benefit payments to plan members beneficiaries	2,684,754	-	-
Scholarship payments	-	28,750	-
Intergovernmental payments	-	-	27,238
Student activity fund payments	<u>-</u>	<u>-</u>	<u>337,353</u>
Total Deductions	<u>2,684,754</u>	<u>28,750</u>	<u>364,591</u>
Change in Net Position	1,843,268	(10,517)	63,489
Restricted Net Position			
Beginning of Year	<u>10,505,734</u>	<u>77,859</u>	<u>422,810</u>
End of Year	\$ <u><u>12,349,002</u></u>	\$ <u><u>67,342</u></u>	\$ <u><u>486,299</u></u>

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

TOWN OF FRANKLIN, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Franklin, Massachusetts (the Town) 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 of the Town:

Reporting Entity

The Town is a municipal corporation governed by an elected Town Council. As required by GAAP, these financial statements present the Town and applicable component units for which the Town is considered to be financially accountable. In fiscal year 2023, it was determined that no entities met the component unit requirements of GASB 14 (as amended).

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 of 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.

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. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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 Town considers property tax 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt are reported as other financing sources.

The Town reports the following major governmental funds:

- The *General Fund* is the Town'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 *Federal Grants Fund* accounts for federal grant revenues and expenditures.

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 Town reports the following major proprietary funds:

- Sewer Fund
- Water Fund

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 Town reports the following fiduciary funds:

- The *Other Post-employment Benefit Trust Fund* is used to accumulate resources for health insurance benefits for retired employees.
- The *Private-Purpose Trust Fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.
- The *Custodial Funds* account for fiduciary assets held by the Town 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 firearms charges collected on behalf of the State, as well as 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, certificates of deposits, 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, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

Investments are carried at fair value, except certificates of deposit, which are not market-linked and therefore are reported at cost. 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.

Capital Assets

Capital assets, which include buildings and improvements, machinery, equipment, and furnishings, land, 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 statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$15,000 and an estimated useful life in excess of two 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	40
Building improvements	20
Infrastructure	30 - 50
Machinery, equipment, and furnishings	5

The Town reviews the carrying value of its long-lived assets to ensure that any impairment issues are identified and appropriately reflected in the financial statements. Should the expected cash flows be less than the carrying value, an impairment loss would be recognized to reduce the carrying value. There was no impairment loss recorded during fiscal year 2023.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the retirement system and additions/deductions from the system’s fiduciary net position have been determined on the same basis as they are reported by the retirement system.

Other Post Employment Benefits Other Than Pension (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an actuarial valuation conducted by the Town and are accounted for in accordance with the requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*.

Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary 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.

Fund Balance

Generally, fund balance represents the difference between current assets/deferred outflows and current liabilities/deferred inflows. The Town 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 General Fund prepaid expenditures and 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 grants and 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 Town's highest level of decision-making authority (Town Council). This fund balance classification includes General Fund non-lapsing capital appropriations approved by Town Council, capital improvement stabilization funds (now reported as part of the General Fund per GASB 54), and various special revenue and expendable trust funds.
- *Assigned* represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes General Fund encumbrances that have been established by various Town 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, general stabilization, and deficit funds. The General Fund is the only fund that reports a positive unassigned fund balance.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town 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 Town 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 Town Administrator presents, on behalf of the Finance Committee, an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by Town 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 Town Council meetings as required by changing conditions.

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. It has been the practice of the Town to pay for any of these type of deficiencies by using available funds in the year incurred.

Formal budgetary integration is employed as a management control device during the year for the General Fund and proprietary funds. Effective budgetary control is achieved for all other funds through provisions of Massachusetts General Laws.

At year end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

3. Deposits and Investments - Town (Excluding the OPEB Trust Fund)

Massachusetts General Laws (MGL), Chapter 44, Section 55 place certain limitation on the nature of deposits and investments available to the Town. Deposits, including demand deposits, money markets, 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 Statement No. 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 a bank failure, the Town's deposits may not be returned. The Town's policies related to the custodial credit risk of deposits is that the Treasurer will review the financial institution's financial statements and the background of the Advisor. Further, all securities held by a third-party custodian will be held in the Town's name and tax identification number.

As of June 30, 2023, none of the Town's bank balance of \$41,347,168 was exposed to custodial credit risk as uninsured and uncollateralized. Additionally, \$402,515 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 Town's investments as of June 30, 2023:

<u>Investment Type</u>	<u>Amount</u>
Market-linked certificates of deposits	\$ 291,360
Corporate bonds	7,947,803
Corporate equities	2,275,147
Fixed income mutual funds	509,861
U.S. Treasury notes	5,617,143
Federal agencies	<u>991,380</u>
Total investments	<u>\$ 17,632,694</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 Town will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Per the Town's investment policy, the Treasurer will review the financial institution's financial statements and the background of the Advisor. Further, all securities held by a third-party custodian will be held in the Town's name and tax identification number.

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

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. For short-term investments that were purchased using surplus revenues, Massachusetts General Laws, Chapter 44, Section 55, limit the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs). The Town does not have formal investment policies related to credit risk.

United States Treasury notes have an implied rating of Aaa. As of June 30, 2023, the credit quality ratings, as rated by Moody's Investors Service, Inc. of the Town's remaining debt securities were as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>				
		<u>Aaa</u>	<u>Aa1 - Aa3</u>	<u>A1 - A3</u>	<u>Baa1 - B3</u>	<u>Unrated</u>
Market-linked certificates of deposits	\$ 291,360	\$ -	\$ -	\$ -	\$ -	\$ 291,360
Corporate bonds	7,947,803	655,658	46,975	4,380,420	2,864,750	-
Fixed income mutual funds	509,861	509,861	-	-	-	-
Federal agencies	<u>991,380</u>	<u>991,380</u>	-	-	-	-
Total	<u>\$ 9,740,404</u>	<u>\$ 2,156,899</u>	<u>\$ 46,975</u>	<u>\$ 4,380,420</u>	<u>\$ 2,864,750</u>	<u>\$ 291,360</u>

Concentration of Credit Risk

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

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 credit disclosure.

As of June 30, 2023, the Town 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 Town’s investment policy states the Town will manage interest rate risk by managing duration in the account.

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

<u>Investment Type</u>	<u>Amount</u>	<u>Effective Duration</u> <u>Years</u>
Market-linked certificates of deposits	\$ 291,360	1.45
Corporate bonds	7,947,803	9.45
Fixed income mutual funds	509,861	2.50
U.S. Treasury notes	5,617,143	7.06
Federal agencies	<u>991,380</u>	8.32
Total	<u>\$ 15,357,547</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 Town’s policy for foreign currency risk states the Town will not invest in any investment exposed to foreign currency risk.

At June 30, 2023, none of the Town’s investments were exposed to foreign currency risk.

Fair Value

The Town 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 Town 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>
Investments by fair value level:			
Market-linked certificates of deposits	\$ 291,360	\$ -	\$ 291,360
Corporate bonds	7,947,803	-	7,947,803
Corporate equities	2,275,147	2,275,147	-
Fixed income mutual funds	509,861	-	509,861
U.S. Treasury notes	5,617,143	5,617,143	-
Federal agencies	991,380	-	991,380
Total	\$ <u>17,632,694</u>	\$ <u>7,892,290</u>	\$ <u>9,740,404</u>

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

Debt securities classified as 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 – OPEB Trust Fund

The OPEB Trust Fund’s investments as of June 30, 2023 were fully invested in the State Retirees Benefits Trust Fund (SRBT) managed by Pension Reserves Investment Management (PRIM) Board.

The net asset value (NAV) per share is the amount of net assets attributable to each share outstanding at the close of the period. The OPEB Trust Fund’s investment in SRBT is measured at NAV and is not subject to fair value level classification. There were no unfunded commitments at June 30, 2023, and the redemption frequency was monthly with a 30-day redemption notice period.

5. Property Taxes and Excises Receivable

The Town 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 Town’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 Town 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 Town. Secondly, the tax levy cannot increase by more than 2 ½ % of the prior year’s levy plus the taxes on property newly added to the tax rolls. The actual fiscal year 2023 tax levy reflected an excess capacity of \$37,376.

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.

Boat excise taxes are assessed annually for all water vessels, including documented boats and ships, used or capable of being used for transportation on water. A boat excise is assessed by the community where the vessel is moored. July 1 is the assessing date for all vessels, and the boat excise due is calculated using a fixed rate of \$10 per \$1,000 of value.

Property taxes and excise 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	\$ 875,177	\$ 875,177	\$ -
Personal property taxes	223,748	223,748	-
Tax liens	552,390	55,239	497,151
Other	<u>84,304</u>	<u>84,304</u>	<u>-</u>
Total property taxes	<u>\$ 1,735,619</u>	<u>\$ 1,238,468</u>	<u>\$ 497,151</u>
Motor vehicle excise	\$ 903,039	\$ 903,039	\$ -
Boat excise	<u>2,414</u>	<u>2,414</u>	<u>-</u>
Total excises	<u>\$ 905,453</u>	<u>\$ 905,453</u>	<u>\$ -</u>

6. User Fees Receivables

Receivables for user charges at June 30, 2023 consisted of ambulance receivables for the governmental funds.

7. Intergovernmental Receivables

This balance represents reimbursements requested from federal and state agencies for expenditures incurred in fiscal year 2023.

8. Prepaid Expenses

Prepaid expenses reported in the General Fund includes a retirement system payment due on July 1, 2023 which was processed on June 28, 2023 to ensure timely payment.

9. Capital Assets

Capital asset activity for the year ended June 30, 2023 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 252,950	\$ -	\$ -	\$ 252,950
Machinery, equipment, and furnishings	19,721	2,313	(705)	21,329
Infrastructure	<u>90,190</u>	<u>-</u>	<u>-</u>	<u>90,190</u>
Total capital assets, being depreciated	362,861	2,313	(705)	364,469
Less accumulated depreciation for:				
Buildings and improvements	(95,634)	(6,856)	-	(102,490)
Machinery, equipment, and furnishings	(10,627)	(1,900)	705	(11,822)
Infrastructure	<u>(58,442)</u>	<u>(1,751)</u>	<u>-</u>	<u>(60,193)</u>
Total accumulated depreciation	<u>(164,703)</u>	<u>(10,507)</u>	<u>705</u>	<u>(174,505)</u>
Total capital assets, being depreciated, net	198,158	(8,194)	-	189,964
Capital assets, not being depreciated:				
Land	23,213	4,050	-	27,263
Works of art	96	-	-	96
Construction in progress	<u>49</u>	<u>497</u>	<u>-</u>	<u>546</u>
Total capital assets, not being depreciated	<u>23,358</u>	<u>4,547</u>	<u>-</u>	<u>27,905</u>
Governmental activities capital assets, net	<u>\$ 221,516</u>	<u>\$ (3,647)</u>	<u>\$ -</u>	<u>\$ 217,869</u>
Business-Type Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 637	\$ -	\$ -	\$ 637
Machinery, equipment, and furnishings	2,634	363	(16)	2,981
Infrastructure	<u>130,563</u>	<u>3,212</u>	<u>-</u>	<u>133,775</u>
Total capital assets, being depreciated	133,834	3,575	(16)	137,393
Less accumulated depreciation for:				
Buildings and improvements	(200)	(28)	-	(228)
Machinery, equipment, and furnishings	(1,584)	(150)	16	(1,718)
Infrastructure	<u>(62,094)</u>	<u>(2,559)</u>	<u>-</u>	<u>(64,653)</u>
Total accumulated depreciation	<u>(63,878)</u>	<u>(2,737)</u>	<u>16</u>	<u>(66,599)</u>
Total capital assets, being depreciated, net	69,956	838	-	70,794
Capital assets, not being depreciated:				
Land	4,136	-	-	4,136
Construction in progress	<u>1,972</u>	<u>218</u>	<u>-</u>	<u>2,190</u>
Total capital assets, not being depreciated	<u>6,108</u>	<u>218</u>	<u>-</u>	<u>6,326</u>
Business-type activities capital assets, net	<u>\$ 76,064</u>	<u>\$ 1,056</u>	<u>\$ -</u>	<u>\$ 77,120</u>

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

Governmental Activities	
General government	\$ 572,099
Public safety	1,017,131
Education	5,523,747
Public works	2,353,965
Health and human services	234,113
Culture and recreation	<u>805,254</u>
Total governmental activities	\$ <u>10,506,309</u>
Business-Type Activities	
Sewer	\$ 455,048
Water	<u>2,282,001</u>
Total business-type activities	\$ <u>2,737,049</u>

10. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net assets by the Town that is applicable 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 fully discussed in the corresponding pension and OPEB notes.

11. Accrued Liabilities

Accrued liabilities in governmental funds represent accrued payroll and related benefits. Accrued liabilities in government-wide financial statements also include accrued interest on long-term debt.

12. Unearned Revenue

The balance reported in unearned revenue primarily represents the unspent portion of grant funds received by the Town from the American Rescue Plan Act (ARPA).

13. Long-Term Debt

General Obligation Bonds and Loans

The Town issues general obligation bonds and direct borrowings to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and direct borrowings outstanding are as follows:

<u>Governmental Activities</u>		Serial	Interest	Amount
General Obligation Bonds	<u>Original</u>	<u>Maturities</u>	<u>Rate(s) %</u>	<u>Outstanding</u>
	<u>Issue</u>	<u>Through</u>		<u>as of</u>
				<u>6/30/23</u>
Public offerings:				
General obligation refunding 2004	\$ 2,325,000	06/30/22	2.00 - 4.00%	\$ 127,000
Keller-Sullivan School	7,300,000	03/15/25	3.25 - 5.50%	715,001
General obligation refunding 2015	3,135,000	03/15/27	2.00 - 4.00%	855,000
General obligation refunding 2016	7,310,000	03/01/28	4.00%	3,650,000
High School construction	43,990,000	06/15/38	4.125 - 5.00%	33,275,000
General obligation library bond	9,150,000	05/15/39	3.00 - 5.00%	7,310,000
General obligation municipal purpose	2,443,500	05/15/43	2.50 - 5.00%	2,135,000
General obligation 2021 technology	1,206,000	05/01/41	2.00 - 5.00%	1,005,000
General obligation 2021 fire trucks	686,900	05/01/41	2.00 - 5.00%	575,000
General obligation 2022 land acquisition	2,965,000	05/15/42	3.25 - 5.00%	2,815,000
General obligation 2022 municipal building	1,320,000	05/15/32	3.25 - 5.00%	1,185,000
General obligation 2022 school drains	380,000	05/15/32	3.25 - 5.00%	340,000
General obligation 2023 land acquisition	3,535,000	12/15/42	4.00 - 5.00%	<u>3,535,000</u>
Total Governmental Activities				\$ <u>57,522,001</u>

Business-Type Activities

	Original Issue	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/23
<u>General Obligation Bonds</u>				
Public offerings:				
Water refunding 2004	\$ 2,325,000	06/30/22	2.00 - 4.00%	\$ 72,000
Sewer refunding 2004	2,325,000	06/30/22	2.00 - 4.00%	48,000
Water mains	3,000,000	03/15/25	4.26%	293,000
Water refunding 2015	1,857,000	03/15/27	2.00 - 4.00%	725,000
Sewer refunding 2015	1,928,000	03/15/27	2.00 - 4.00%	570,000
Water line replacement	5,000,000	06/15/28	4.00 - 5.00%	1,985,000
Water infrastructure improvements	4,541,500	05/15/33	2.50 - 5.00%	2,920,000
Water 2021 - Well Station 3	1,022,400	05/01/41	2.00 - 5.00%	955,000
Sewer 2021 - Beaver St	1,444,700	05/01/41	2.00 - 5.00%	1,345,000
Total public offerings				8,913,000
<u>Loans - Direct Borrowings</u>				
Water treatment facility DW-02-12	5,889,794	08/01/24	2.50 - 5.25%	756,877
MCWT DW-19-02	12,579,500	01/15/41	2.00%	11,321,550
Total loans - direct borrowings				12,078,427
Total Business-Type Activities				\$ <u>20,991,427</u>

Future Debt Service

The annual payments to retire all general obligation bonds and loans outstanding as of June 30, 2023 were as follows:

Governmental Year	Bonds - Public Offerings	
	Principal	Interest
2024	\$ 4,402,000	\$ 2,460,946
2025	4,320,001	2,187,716
2026	4,035,000	2,033,341
2027	3,785,000	1,858,441
2028	3,070,000	1,693,341
2029-2033	15,705,000	6,417,827
2034-2038	16,800,000	3,056,424
2039-2043	5,405,000	324,047
Total	\$ <u>57,522,001</u>	\$ <u>20,032,083</u>

The General Fund has been designated as the source to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2023.

Business-Type Year	Bonds Payable		Loans - Direct Borrowings	
	Principal	Interest	Principal	Interest
2024	\$ 1,388,000	\$ 332,426	\$ 1,002,623	\$ 226,431
2025	1,250,000	275,756	1,012,204	207,562
2026	1,110,000	225,331	628,975	201,272
2027	925,000	176,831	628,975	188,693
2028	750,000	137,481	628,975	176,113
2029-2033	2,330,000	305,605	3,144,875	691,873
2034-2038	705,000	86,000	3,144,875	377,466
2039-2041	455,000	14,600	1,886,925	75,474
Total	<u>\$ 8,913,000</u>	<u>\$ 1,554,030</u>	<u>\$ 12,078,427</u>	<u>\$ 2,144,884</u>

Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Total Balance 6/30/23	Less Current Portion	Equals Long-Term Portion 6/30/23
Governmental Activities						
Bonds payable:						
Public offerings	\$ 58,511	\$ 3,535	\$ (4,524)	\$ 57,522	\$ (4,402)	\$ 53,120
Unamortized premium	1,227	265	(93)	1,399	(105)	1,294
Subtotal	59,738	3,800	(4,617)	58,921	(4,507)	54,414
Compensated absences liability	1,574	552	(314)	1,812	(91)	1,721
Net pension liability	28,421	16,251	-	44,672	-	44,672
Net OPEB liability	73,977	-	(13,535)	60,442	-	60,442
Totals	<u>\$ 163,710</u>	<u>\$ 20,603</u>	<u>\$ (18,466)</u>	<u>\$ 165,847</u>	<u>\$ (4,598)</u>	<u>\$ 161,249</u>
Business-Type Activities						
Bonds payable:						
Public offerings	\$ 10,294	\$ -	\$ (1,381)	\$ 8,913	\$ (1,388)	\$ 7,525
Loans payable (direct borrowings)	13,067	-	(988)	12,079	(1,003)	11,076
Subtotal	23,361	-	(2,369)	20,992	(2,391)	18,601
Compensated absences liability	98	45	(20)	123	(6)	117
Net pension liability	373	163	-	536	-	536
Net OPEB liability	970	-	(244)	726	-	726
Totals	<u>\$ 24,802</u>	<u>\$ 208</u>	<u>\$ (2,633)</u>	<u>\$ 22,377</u>	<u>\$ (2,397)</u>	<u>\$ 19,980</u>

14. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of net assets by the Town 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, in accordance with GASB Statements No. 69 and 75, 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.

15. Governmental Funds – Fund Balances

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

	General Fund	Federal Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Prepaid expenses	\$ 7,501,821	\$ -	\$ -	\$ 7,501,821
Permanent funds	-	-	508,930	508,930
Total Nonspendable	7,501,821	-	508,930	8,010,751
Restricted				
Special revenue funds:				
Extracurricular athletics	-	-	718,363	718,363
Transportation	-	-	1,344,460	1,344,460
Pre-kindergarten	-	-	1,126,304	1,126,304
Circuit breaker	-	-	3,337,382	3,337,382
Lifelong Learning	-	-	685,206	685,206
School lunch	-	-	1,280,014	1,280,014
Parking meter receipts	-	-	472,583	472,583
Wetlands protection	-	-	202,657	202,657
Ambulance receipts	-	-	406,341	406,341
40B Franklin heights infrastructure	-	-	164,000	164,000
Community preservation	-	-	2,373,944	2,373,944
Other	-	-	1,208,281	1,208,281
Capital projects funds	-	-	1,275,523	1,275,523
Permanent trust funds	-	-	1,705,842	1,705,842
Insurance reserves	1,462,918	-	-	1,462,918
Total Restricted	1,462,918	-	16,300,900	17,763,818
Committed				
Reserve for continuing resolutions	4,154,485	-	-	4,154,485
Capital improvement stabilization funds	3,906,095	-	-	3,906,095
Statewide opioid settlement stabilization	132,622	-	-	132,622
MECC stabilization	1,140,035	-	-	1,140,035
Total Committed	9,333,237	-	-	9,333,237
Assigned				
General government	79,911	-	-	79,911
Public safety	24,082	-	-	24,082
Education	212,199	-	-	212,199
Public works	772,604	-	-	772,604
Health and human services	2,000	-	-	2,000
Culture and recreation	1,000	-	-	1,000
Insurance and benefits	31,819	-	-	31,819
Total Assigned	1,123,615	-	-	1,123,615
Unassigned				
General Fund (See Note 16)	141,507	-	-	141,507
General stabilization fund	6,575,207	-	-	6,575,207
Budget stabilization fund	3,059,026	-	-	3,059,026
Federal grants fund	-	(211,942)	-	(211,942)
Total Unassigned	9,775,740	(211,942)	-	9,563,798
Total Fund Balance	\$ 29,197,331	\$ (211,942)	\$ 16,809,830	\$ 45,795,219

16. General Fund Unassigned Fund Balance

On June 28, 2023, the Town wired \$7,501,821 to the Norfolk County Retirement System for its fiscal year 2024 annual required contribution which was due on July 1, 2023. The outflow of cash created a prepaid item, which, as required by the Governmental Accounting Standards Board Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, is considered a current asset, but not in a spendable form. Accordingly, the Town is required to offset the prepaid item with a corresponding nonspendable fund balance. As a result, the Town's unassigned fund balance is temporarily reduced by \$7,501,821. The table below reports what the Town's unassigned fund balance is under GAAP and what it would have been if the Town had wired the funds on July 1, 2023 and not June 28, 2023.

	June 30, 2023 General Fund balances with funds wired on June 28, 2023	June 30, 2023 General Fund balances if funds were wired on July 1, 2023
Nonspendable	\$ 7,501,821	\$ -
Restricted	1,462,918	1,462,918
Committed	9,333,237	9,333,237
Assigned	1,123,615	1,123,615
Unassigned	<u>9,775,740</u>	<u>17,277,561</u>
Total	<u>\$ 29,197,331</u>	<u>\$ 29,197,331</u>

17. Restricted Net Position

The Town's restricted net position at June 30, 2023 was comprised of the following:

<u>Purpose</u>	<u>Governmental Activities</u>
Affordable housing trust	\$ 996,597
Sewer lift stations trust	558,425
Ray memorial library trust	140,103
Other trusts	519,647
Extracurricular athletics	718,363
Transportation	1,344,460
Pre-kindergarten	1,126,304
Circuit breaker	3,337,382
Lifelong Learning	685,206
School lunch	1,280,014
Parking meter receipts	472,583
Wetlands protection	202,657
Ambulance receipts	406,341
40B Franklin heights infrastructure	164,000
Community preservation	2,373,944
Other special revenue funds	<u>1,208,281</u>
Total	<u>\$ 15,534,307</u>

18. Transfers

The Town reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. Interfund transfers for fiscal year 2023 were as follows:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 24,239	\$ 15,000
Nonmajor Governmental Funds:		
Special revenue funds	<u>15,000</u>	<u>24,239</u>
Total	\$ <u>39,239</u>	\$ <u>39,239</u>

The transfer into the General Fund was transferred from the parking meter receipts reserved special revenue fund. The transfer out of the General Fund was transferred to the common art project state grant special revenue fund.

19. Norfolk County Retirement System

The Town follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to employees' retirement funds.

Plan Description

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Norfolk County Retirement System (the 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 Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publicly available from the System located at 480 Neponset Street, Canton, Massachusetts 02021.

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%

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 five-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 percent, 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.

There are four classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other three classes are as follows:

- Group 1 – General employees, including clerical, administrative, technical, and all other employees not otherwise classified.
- Group 2 – Certain specified hazardous duty positions.
- Group 4 – Police officers, firefighters, and other specified hazardous positions.

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 Town 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 Town’s contribution to the System for the year ended June 30, 2023 was \$7,183,210 which was equal to its annual required contribution.

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred (inflows) of resources related to pension, and pension expense, information about the fiduciary

net position of the System and additions to/deductions from the System’s fiduciary net position have been determined on the same basis as they are reported by the 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 Town reported a liability of \$45,208,550 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. At June 30, 2023, the Town’s proportion was 7.8176%, which was an increase of 0.0049% from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the Town recognized pension expense of \$6,514,521. In addition, the Town 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>
Differences between expected and actual experience	\$ 1,488,140	\$ -
Net difference between projected and actual earnings on pension plan investments	8,632,750	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>363,092</u>	<u>-</u>
Total	<u>\$ 10,483,982</u>	<u>\$ -</u>

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

<u>Year Ended June 30:</u>	
2024	\$ 1,335,504
2025	2,449,927
2026	2,373,324
2027	<u>4,325,227</u>
Total	<u>\$ 10,483,982</u>

Actuarial Assumptions

The total pension liability was determined in the actuarial valuation, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	January 1, 2022
Inflation	3.00%
Projected salary increases	3.5% to 5.5%
Investment rate of return	7.75%
Cost of living increases	3% of the first \$18,000 of retirement
Remaining amortization period	6 years

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with Scale MP-2014, fully generational.

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 arithmetic 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>
Domestic equity	30.5%	7.0%
International equities	15.5%	7.7%
Fixed income	20.5%	4.3%
Real estate	9.5%	6.9%
Private equity	10.0%	9.4%
Hedge funds	11.5%	8.6%
Real assets	2.5%	8.9%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability as of December 31, 2022 was 7.75%. 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. Under Chapter 32 of MGL, employers are required to make the necessary contributions such that the pension plan reaches full funding status by 2040. 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 Town’s proportionate share of the System’s net pension liability calculated using the discount rate of 7.75%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

1% Decrease <u>(6.75%)</u>	Current Discount Rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
\$ 60,055,856	\$ 45,208,550	\$ 32,586,473

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.

20. 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 stand-alone 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 the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. 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 net 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 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 Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	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' 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 one-percentage-point lower or one-percentage-point higher than the current discount rate (amounts in thousands):

1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
\$ 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 actuarially determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by Government Accounting Standards Board 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.

Town Proportions

In fiscal year 2022 (the most recent measurement period), the Town’s proportionate share of the MTRS’ collective net pension liability was \$139,609,809 based on a proportionate share of 0.539281%. As required by GASB 68, the Town has recognized its portion of the Commonwealth of Massachusetts’s contribution of \$11,349,729 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 approximately \$11,484,269 as both a revenue and expense on the Statement of Activities.

21. Other Post-Employment Benefits

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 2010, the Town 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 stand-alone 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 Town provides post-employment healthcare benefits for retired employees through the Town’s plan. The Town provides health insurance coverage through Tufts Health Plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of Massachusetts General Laws.

Benefits Provided

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

Funding Policy

The Town’s funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute. Additional contributions are based on 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	714
Active employees	<u>1,057</u>
Total	<u><u>1,771</u></u>

Investments

The OPEB Trust Fund’s assets consist of investments held by the Pension Reserves Investment Trust.

Rate of Return

For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 6.04%. 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, 2023, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Investment rate of return	7.50%, net of OPEB plan investment expense
Discount rate	7.50%
Healthcare cost trend rates	4.5% for 2023 and future periods
Participation rate	95% of future retiree teachers are assumed to participate in the retiree medical plan, 70% of future non-teacher retirees are expected to participate in the retiree medical plan, and 75% of future retirees are expected to elect life insurance.
Funding assumption	Starting in year 2032, the Town will utilize funds (approximately \$8 million) that were previously utilized for funding the net pension liability to fund the net OPEB liability, annually.
Retirees' share of benefit-related costs	32%

Mortality rates were based on the SOA Pub-2010 Public Retirement Plans Mortality Tables specific to the Group, Pre-retirement versus Post, Disabled and Beneficiaries, with Scale MP-2019 improvements until 2025.

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 estimate of arithmetic real rate of return as of June 30, 2023 is 7.50%.

Contributions

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

Discount Rate

The discount rate used to measure the net OPEB liability was 7.50%. 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 projected to be available to make all projected future benefit payments of current plan members.

Net OPEB Liability

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

Total OPEB liability	\$	73,516,932
Plan fiduciary net position		<u>12,349,002</u>
Net OPEB liability	\$	<u>61,167,930</u>
Plan fiduciary net position as a percentage of the total OPEB liability		16.80%

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>
Balance, beginning of year	\$ 85,452,216	\$ 10,505,734	\$ 74,946,482
Changes for the year:			
Service cost	2,962,384	-	2,962,384
Interest	6,523,786	-	6,523,786
Experience	(18,507,183)	-	(18,507,183)
Contributions - employer	-	3,888,754	(3,888,754)
Net investment income	-	694,331	(694,331)
Benefit payments	(2,914,271)	(2,684,754)	(229,517)
Administrative expense	-	<u>(55,063)</u>	<u>55,063</u>
Net Changes	<u>(11,935,284)</u>	<u>1,843,268</u>	<u>(13,778,552)</u>
Balance, end of year	\$ <u>73,516,932</u>	\$ <u>12,349,002</u>	\$ <u>61,167,930</u>

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 were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

1% Decrease <u>(6.5%)</u>	Current Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
\$ 71,409,120	\$ 61,167,930	\$ 57,590,324

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 as calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

1% <u>Decrease</u>	Current Healthcare Cost Trend Rates <u>Rates</u>	1% <u>Increase</u>
\$ 54,804,380	\$ 61,167,930	\$ 81,206,756

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

For the year ended June 30, 2023, the Town recognized an OPEB expense of \$3,334,485. At June 30, 2023, the Town reported deferred outflows and deferred 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	\$ -	\$ 20,715,795
Difference between projected and actual investments earnings	265,679	-
Change in assumptions	<u>-</u>	<u>508,106</u>
Total	\$ <u>265,679</u>	\$ <u>21,223,901</u>

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

<u>Year Ended June 30:</u>	
2024	\$ (5,394,688)
2025	(4,769,275)
2026	(3,645,568)
2027	(3,590,768)
2028	(2,989,852)
Thereafter	<u>(568,071)</u>
Total	\$ <u>(20,958,222)</u>

22. Commitments and Contingencies

Outstanding Legal Issues

On an ongoing basis, there are typically pending legal issues in which the Town is involved. The Town'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 Town expects such amounts, if any, to be immaterial.

Encumbrances

At year-end the Town's General Fund had \$1,123,615 in encumbrances that will be honored in the next fiscal year.

23. Subsequent Events

Management has evaluated subsequent events through May 22, 2024, which is the date the financial statements were available to be issued.

24. New Pronouncement

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

TOWN OF FRANKLIN, 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

	Budgeted Amounts			Variance with Final Budget Positive <u>(Negative)</u>
	Original Budget	Final Budget	Actual Amounts	
Revenues				
Property taxes	\$ 91,006,319	\$ 90,293,887	\$ 90,411,849	\$ 117,962
Motor vehicle excise	4,626,500	4,626,500	5,266,161	639,661
Other excise	1,017,091	1,017,091	1,543,428	526,337
Penalties, interest, and other taxes	284,411	284,411	418,814	134,403
Charges for services	2,956,351	2,956,351	3,873,600	917,249
Licenses and permits	1,288,616	1,288,616	1,359,431	70,815
Intergovernmental	33,481,711	33,481,711	33,728,004	246,293
Fines and forfeitures	57,565	57,565	70,356	12,791
Investment income	28,235	28,235	397,605	369,370
Miscellaneous	402,800	402,800	570,486	167,686
	135,149,599	134,437,167	137,639,734	3,202,567
Expenditures				
General government	11,145,582	11,922,709	11,528,939	393,770
Public safety	13,706,329	14,116,537	13,701,322	415,215
Education	72,827,683	73,404,648	73,394,361	10,287
Public works	5,752,227	6,208,730	5,786,015	422,715
Health and human services	1,038,276	1,047,385	923,690	123,695
Culture and recreation	1,717,779	1,796,021	1,727,342	68,679
Employee benefits	15,723,035	14,768,788	14,352,008	416,780
Debt service	6,449,120	6,674,164	6,664,164	10,000
Intergovernmental	6,789,568	6,789,568	6,696,773	92,795
Capital outlay	-	7,963,735	7,959,999	3,736
	135,149,599	144,692,285	142,734,613	1,957,672
Excess (Deficiency) of Revenues over Expenditures	-	(10,255,118)	(5,094,879)	5,160,239
Other Financing Sources (Uses)				
Transfers in	-	1,279,239	1,279,239	-
Transfers out	-	(1,682,000)	(1,697,000)	(15,000)
Use of free cash				
Capital plan	-	2,640,269	-	(2,640,269)
Budget stabilization	-	1,000,000	-	(1,000,000)
OPEB Trust Fund	-	432,000	-	(432,000)
Fields stabilization	-	150,000	-	(150,000)
Firetruck stabilization	-	100,000	-	(100,000)
Use of prior year assigned and committed fund balances (encumbrances and carryforwards)	-	6,335,610	6,335,610	-
	-	10,255,118	5,917,849	(4,337,269)
Overall Budgetary Excess (Deficiency)	\$ -	\$ -	\$ 822,970	\$ 822,970

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, expenditures, and other financing sources (uses), to conform to the budgetary basis of accounting.

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
GAAP Basis	\$ 149,465,528	\$ 147,761,885	\$ 9,239
Add end-of-year appropriation carryforwards to expenditures	-	5,278,100	-
To record use of prior year assigned fund balance (encumbrances)	-	-	6,335,610
To reverse MTRS on behalf payment	(11,349,729)	(11,349,729)	-
Reclassification of indirect costs	-	1,255,000	1,255,000
Reverse effect of combining stabilization funds with General Fund per GASB 54	(475,438)	(9,500)	(1,480,857)
Other items	<u>(627)</u>	<u>(201,143)</u>	<u>(201,143)</u>
Budgetary Basis	<u>\$ 137,639,734</u>	<u>\$ 142,734,613</u>	<u>\$ 5,917,849</u>

See Independent Auditors' Report.

TOWN OF FRANKLIN, MASSACHUSETTS

Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability

Norfolk County 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	7.817600%	\$45,208,550	\$ 27,683,638	163.30%	68.60%
June 30, 2022	December 31, 2021	7.812700%	\$28,793,166	\$ 26,747,476	107.65%	79.40%
June 30, 2021	December 31, 2020	7.709200%	\$39,375,092	\$ 26,086,561	150.94%	70.20%
June 30, 2020	December 31, 2019	7.697500%	\$45,193,052	\$ 25,204,407	179.31%	64.60%
June 30, 2019	December 31, 2018	7.467200%	\$48,607,021	\$ 23,791,082	204.31%	58.30%
June 30, 2018	December 31, 2017	7.454200%	\$41,222,050	\$ 22,986,553	179.33%	63.50%
June 30, 2017	December 31, 2016	7.611400%	\$39,733,230	\$ 21,380,359	185.84%	61.60%
June 30, 2016	December 31, 2015	7.611443%	\$41,346,324	\$ 20,361,675	203.06%	58.60%
June 30, 2015	December 31, 2014	7.756292%	\$40,226,086	\$ 19,038,422	211.29%	60.10%

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 Town	Total Net Pension Liability Associated with the Town	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	0.539281%	\$ -	\$ 139,609,809	\$ 139,609,809	\$ 47,950,578	0.00%	57.75%
June 30, 2022	June 30, 2021	0.554026%	\$ -	\$ 125,802,076	\$ 125,802,076	\$ 44,388,647	0.00%	62.03%
June 30, 2021	June 30, 2020	0.565302%	\$ -	\$ 161,364,649	\$ 161,364,649	\$ 42,967,009	0.00%	50.67%
June 30, 2020	June 30, 2019	0.589260%	\$ -	\$ 148,576,160	\$ 148,576,160	\$ 42,881,322	0.00%	53.95%
June 30, 2019	June 30, 2018	0.575463%	\$ -	\$ 136,449,789	\$ 136,449,789	\$ 40,413,995	0.00%	54.84%
June 30, 2018	June 30, 2017	0.584000%	\$ -	\$ 133,650,583	\$ 133,650,583	\$ 39,656,333	0.00%	54.25%
June 30, 2017	June 30, 2016	0.594982%	\$ -	\$ 133,025,615	\$ 133,025,615	\$ 39,315,863	0.00%	52.73%
June 30, 2016	June 30, 2015	0.591007%	\$ -	\$ 121,095,209	\$ 121,095,209	\$ 37,463,272	0.00%	55.38%
June 30, 2015	June 30, 2014	0.584174%	\$ -	\$ 92,862,306	\$ 92,862,306	\$ 35,818,594	0.00%	61.64%

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

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

See Independent Auditors' Report.

TOWN OF FRANKLIN, MASSACHUSETTS

Required Supplementary Information
Schedule of Pension Contributions

Norfolk County Retirement System					
Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the		Covered Payroll	Contributions as a Percentage of Covered Payroll
		Actuarially Determined Contribution	Contribution Deficiency (Excess)		
June 30, 2023	\$ 7,183,210	\$ 7,183,210	\$ -	\$ 27,683,638	25.95%
June 30, 2022	\$ 6,693,600	\$ 6,693,600	\$ -	\$ 26,747,476	25.03%
June 30, 2021	\$ 6,174,365	\$ 6,174,365	\$ -	\$ 26,086,561	23.67%
June 30, 2020	\$ 5,765,354	\$ 5,765,354	\$ -	\$ 25,204,407	22.87%
June 30, 2019	\$ 5,223,882	\$ 5,223,882	\$ -	\$ 23,791,082	21.96%
June 30, 2018	\$ 4,771,398	\$ 4,771,398	\$ -	\$ 22,986,553	20.76%
June 30, 2017	\$ 4,351,658	\$ 4,351,658	\$ -	\$ 21,380,359	20.35%
June 30, 2016	\$ 3,947,535	\$ 3,947,535	\$ -	\$ 20,361,675	19.39%
June 30, 2015	\$ 3,661,686	\$ 3,661,686	\$ -	\$ 19,038,422	19.23%

Massachusetts Teachers' Retirement System					
Fiscal Year	Actuarially Determined Contribution Provided by Commonwealth	Contributions in Relation to the		Covered Payroll	Contributions as a Percentage of Covered Payroll
		Actuarially Determined Contribution	Contribution Deficiency (Excess)		
June 30, 2023	\$ 11,349,729	\$ 11,349,729	\$ -	\$ 47,950,578	23.67%
June 30, 2022	\$ 9,687,057	\$ 9,687,057	\$ -	\$ 44,388,647	21.82%
June 30, 2021	\$ 8,781,592	\$ 8,781,592	\$ -	\$ 42,967,009	20.44%
June 30, 2020	\$ 8,507,207	\$ 8,507,207	\$ -	\$ 42,881,322	19.84%
June 30, 2019	\$ 7,566,095	\$ 7,566,095	\$ -	\$ 40,413,995	18.72%
June 30, 2018	\$ 7,215,402	\$ 7,215,402	\$ -	\$ 39,656,333	18.19%
June 30, 2017	\$ 6,691,065	\$ 6,691,065	\$ -	\$ 39,315,863	17.02%
June 30, 2016	\$ 6,039,677	\$ 6,039,677	\$ -	\$ 37,463,272	16.12%
June 30, 2015	\$ 5,475,922	\$ 5,475,922	\$ -	\$ 35,848,594	15.28%

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

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

See Independent Auditors' Report.

TOWN OF FRANKLIN, MASSACHUSETTS

Required Supplementary Information
Schedule of Changes in Net OPEB Liability

	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability							
Service cost	\$ 2,962,384	\$ 2,834,817	\$ 2,572,656	\$ 2,461,872	\$ 2,355,858	\$ 2,749,555	\$ 2,631,153
Interest	6,523,786	6,064,612	6,074,067	5,659,418	5,960,335	5,560,968	5,151,437
Differences between expected and actual experience	-	-	(6,170,129)	-	(7,641,391)	-	-
Changes of assumptions	-	-	-	-	(2,157,806)	-	-
Experience (gain)	(18,507,183)	-	-	-	-	-	-
Benefit payments, including refunds of member contributions	<u>(2,914,271)</u>	<u>(2,895,434)</u>	<u>(2,835,297)</u>	<u>(2,576,222)</u>	<u>(2,692,152)</u>	<u>(2,495,281)</u>	<u>(2,387,829)</u>
Net change in total OPEB liability	(11,935,284)	6,003,995	(358,703)	5,545,068	(4,175,156)	5,815,242	5,394,761
Total OPEB liability - beginning	<u>85,452,216</u>	<u>79,448,221</u>	<u>79,806,924</u>	<u>74,261,856</u>	<u>78,437,012</u>	<u>72,621,770</u>	<u>67,227,009</u>
Total OPEB liability - ending (a)	73,516,932	85,452,216	79,448,221	79,806,924	74,261,856	78,437,012	72,621,770
Plan Fiduciary Net Position							
Contributions - employer	3,888,754	3,871,679	3,491,175	3,407,236	3,346,111	3,113,747	3,219,829
Net investment income (loss)	694,331	(468,875)	2,115,284	110,265	280,311	383,452	521,740
Benefit payments, including refunds of member contributions	(2,684,754)	(2,702,679)	(2,588,101)	(2,437,236)	(2,408,121)	(2,311,621)	(2,387,829)
Other	<u>(55,063)</u>	-	-	-	-	<u>(22,867)</u>	-
Net change in plan fiduciary net position	1,843,268	700,125	3,018,358	1,080,265	1,218,301	1,162,711	1,353,740
Plan fiduciary net position - beginning	<u>10,505,734</u>	<u>9,805,609</u>	<u>6,787,251</u>	<u>5,706,986</u>	<u>4,488,685</u>	<u>3,325,974</u>	<u>1,972,234</u>
Plan fiduciary net position - ending (b)	<u>12,349,002</u>	<u>10,505,734</u>	<u>9,805,609</u>	<u>6,787,251</u>	<u>5,706,986</u>	<u>4,488,685</u>	<u>3,325,974</u>
Net OPEB liability - ending (a-b)	<u>\$ 61,167,930</u>	<u>\$ 74,946,482</u>	<u>\$ 69,642,612</u>	<u>\$ 73,019,673</u>	<u>\$ 68,554,870</u>	<u>\$ 73,948,327</u>	<u>\$ 69,295,796</u>

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

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

See Independent Auditors' Report.

TOWN OF FRANKLIN, MASSACHUSETTS

Required Supplementary Information
Schedules of Net OPEB Liability, Contributions, and Investment Returns

	2023	2022	2021	2020	2019	2018	2017
Schedule of Net OPEB Liability							
Total OPEB liability	\$ 73,516,932	\$ 85,452,216	\$ 79,448,221	\$ 79,806,924	\$ 74,261,856	\$ 78,437,012	\$ 72,621,770
Plan fiduciary net position	<u>12,349,002</u>	<u>10,505,734</u>	<u>9,805,609</u>	<u>6,787,251</u>	<u>5,706,986</u>	<u>4,488,685</u>	<u>3,325,974</u>
Net OPEB liability	\$ <u>61,167,930</u>	\$ <u>74,946,482</u>	\$ <u>69,642,612</u>	\$ <u>73,019,673</u>	\$ <u>68,554,870</u>	\$ <u>73,948,327</u>	\$ <u>69,295,796</u>
Plan fiduciary net position as a percentage of the total OPEB liability	16.80%	12.29%	12.34%	8.50%	7.68%	5.72%	4.58%
Covered employee payroll	\$ 76,893,288	\$ 70,365,340	\$ 67,985,836	\$ 64,766,856	\$ 63,608,230	\$ 63,608,230	\$ 61,457,227
Participating employer net OPEB liability as a percentage of covered employee payroll	79.55%	106.51%	102.44%	112.74%	107.78%	116.26%	112.75%
Schedule of Contributions							
Actuarially determined contribution	\$ 8,224,473	\$ 9,060,165	\$ 8,269,169	\$ 5,724,334	\$ 5,724,334	\$ 5,871,382	\$ 5,618,548
Contributions in relation to the actuarially determined contribution	<u>3,888,754</u>	<u>3,871,679</u>	<u>3,533,101</u>	<u>3,407,236</u>	<u>3,350,121</u>	<u>3,136,488</u>	<u>3,219,829</u>
Contribution deficiency	\$ <u>4,335,719</u>	\$ <u>5,188,486</u>	\$ <u>4,736,068</u>	\$ <u>2,317,098</u>	\$ <u>2,374,213</u>	\$ <u>2,734,894</u>	\$ <u>2,398,719</u>
Covered employee payroll	\$ 76,893,288	\$ 70,365,340	\$ 67,985,836	\$ 64,766,856	\$ 63,608,230	\$ 63,608,230	\$ 61,457,227
Contributions as a percentage of covered employee payroll	5.06%	5.50%	5.20%	5.26%	5.27%	4.93%	5.24%
Schedule of Investment Returns							
Annual money weighted rate of return, net of investment expense	6.04%	-4.78%	29.91%	2.38%	12.17%	6.11%	11.93%

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

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

See Independent Auditors' Report.