



## **TOWN OF FRANKLIN, MASSACHUSETTS**

Financial Statements  
and Required Supplementary Information  
For the Year Ended June 30, 2024

(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, 2024, 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, 2024, 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 on pages 4-11, the budgetary comparison for the General Fund on pages 57-58, and certain pension and OPEB schedules be presented to supplement the basic financial statements on pages 59-62. 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 March 19, 2025 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.

*CBIZ CPAs P.C.*

Boston, MA  
March 19, 2025

## 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, 2024.

### **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, stormwater 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.

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

### ***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, solid waste and stormwater 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.

The accompanying notes are an integral part of these 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 \$96,920,552 a change of \$6,598,560, and net position in business-type activities was \$71,196,507, a change of \$2,577,884.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$49,252,697, a change of \$3,457,478 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$17,523,847, an increase of \$7,748,107 in comparison to the prior year. \$7,501,821 of this increase was a result of recognizing a fiscal year 2023 nonspendable fund balance amount related to a pension contribution made prior to the balance sheet date relating to fiscal year 2024 during the 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	
	2024	2023	2024	2023	2024	2023
<b>Assets</b>						
Current and other assets	\$ 64,078	\$ 59,182	\$ 15,025	\$ 14,920	\$ 79,103	\$ 74,102
Capital assets	<u>213,905</u>	<u>217,869</u>	<u>82,358</u>	<u>77,120</u>	<u>296,263</u>	<u>294,989</u>
Total Assets	277,983	277,051	97,383	92,040	375,366	369,091
<b>Deferred Outflows of Resources</b>	19,496	10,622	262	127	19,758	10,749
<b>Liabilities</b>						
Current liabilities	11,776	10,532	3,489	919	15,265	11,451
Noncurrent liabilities	<u>172,854</u>	<u>165,847</u>	<u>22,745</u>	<u>22,377</u>	<u>195,599</u>	<u>188,224</u>
Total Liabilities	184,630	176,379	26,234	23,296	210,864	199,675
<b>Deferred Inflows of Resources</b>	<u>15,928</u>	<u>20,972</u>	<u>214</u>	<u>252</u>	<u>16,142</u>	<u>21,224</u>
<b>Net Position</b>						
Net investment in capital assets	158,920	160,201	58,680	56,367	217,600	216,568
Restricted	16,614	15,535	-	-	16,614	15,535
Unrestricted	<u>(78,613)</u>	<u>(85,414)</u>	<u>12,517</u>	<u>12,252</u>	<u>(66,096)</u>	<u>(73,162)</u>
Total Net Position	<u>\$ 96,921</u>	<u>\$ 90,322</u>	<u>\$ 71,197</u>	<u>\$ 68,619</u>	<u>\$ 168,118</u>	<u>\$ 158,941</u>

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

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 \$168,117,059, a change of \$9,176,444 in comparison to the prior year.

The largest portion of net position \$217,599,417 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 \$16,613,477 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 (\$66,095,835) primarily resulting from unfunded pension and OPEB liabilities.

**CHANGES IN NET POSITION (in thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 10,088	\$ 9,424	\$ 19,970	\$ 17,214	\$ 30,058	\$ 26,638
Operating grants and contributions	59,386	52,919	129	2,417	59,515	55,336
General revenues:						
Property taxes	95,322	92,326	-	-	95,322	92,326
Excises	7,669	7,237	-	-	7,669	7,237
Penalties, interest, and other taxes	409	475	-	-	409	475
Grants and contributions not restricted to specific programs	5,879	5,918	-	-	5,879	5,918
Investment income (loss)	2,016	839	40	31	2,056	870
Miscellaneous	870	800	253	31	1,123	831
<b>Total Revenues</b>	<b>181,639</b>	<b>169,938</b>	<b>20,392</b>	<b>19,693</b>	<b>202,031</b>	<b>189,631</b>

(continued)

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

(continued)

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
	<b>Expenses</b>					
General government	17,263	15,945	-	-	17,263	15,945
Public safety	19,208	17,774	-	-	19,208	17,774
Education	115,649	110,974	-	-	115,649	110,974
Public works	8,615	10,018	-	-	8,615	10,018
Human services	1,851	1,633	-	-	1,851	1,633
Culture and recreation	2,956	3,023	-	-	2,956	3,023
Interest on long-term debt	2,325	2,279	-	-	2,325	2,279
Intergovernmental	7,173	6,697	-	-	7,173	6,697
Sewer services	-	-	6,393	5,679	6,393	5,679
Water services	-	-	7,584	7,290	7,584	7,290
Solid waste services	-	-	3,837	2,658	3,837	2,658
Total Expenses	<u>175,040</u>	<u>168,343</u>	<u>17,814</u>	<u>15,627</u>	<u>192,854</u>	<u>183,970</u>
Change in net position	6,599	1,595	2,578	4,066	9,177	5,661
Net position - beginning 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>
Net position - end of year	<u>\$ 96,921</u>	<u>\$ 90,322</u>	<u>\$ 71,197</u>	<u>\$ 68,619</u>	<u>\$ 168,118</u>	<u>\$ 158,941</u>

### ***Governmental Activities***

Governmental activities for the year resulted in a change in net position of \$6,598,560. Key elements of this change are as follows:

General Fund operating results	\$ 3,457,478
Change in pension expense from GASB 68	465,224
Change in OPEB expense from GASB 75	2,019,764
Other	<u>656,094</u>
Total	<u>\$ 6,598,560</u>

### ***Business-Type Activities***

Business-type activities for the year resulted in a change in net position of \$2,577,844. The Water Fund's net position increased \$1,032,290 primarily due to user rates raised for capital outlay as well as the recognition of intergovernmental revenue from the American Rescue Plan Act. The Sewer Fund's net position increased \$1,181,610 primarily due to user rates raised for capital outlay.

### **Financial Analysis of Town's Funds**

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

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

**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 \$17,523,847, while the total fund balance was \$31,989,011. Unassigned fund balance increased by \$7,748,107 in comparison to the prior year. \$7,501,821 of this increase was a result of recognizing a fiscal year 2023 nonspendable fund balance amount related to a pension contribution made prior to the balance sheet date relating to fiscal year 2024 during the year. 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>6/30/24</u>	<u>6/30/23</u>	<u>Change</u>	<u>% of General Fund Expenditures*</u>
Unassigned fund balance	\$ 17,523,847	\$ 9,775,740	\$ 7,748,107	12.5%
Restricted	1,516,322	1,462,918	53,404	1.1%
Committed	12,405,267	9,333,237	3,072,030	8.8%
Assigned	533,240	1,123,615	(590,375)	0.4%
Nonspendable fund balance	10,335	7,501,821	(7,491,486)	0.0%
Total	\$ <u>31,989,011</u>	\$ <u>29,197,331</u>	\$ <u>2,791,680</u>	22.7%

\* 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 \$11,933,295.

The total fund balance of the General Fund changed by \$2,791,680 during the current fiscal year. Key factors in this change are as follows:

Use of free cash as a funding source	\$ (3,017,616)
Revenues in excess of budget	2,683,212
Expenditures and encumbrances less than budget	1,578,581
Increase to stabilization funds	1,346,364
Other	<u>201,139</u>
Total	\$ <u>2,791,680</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

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

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>6/30/24</u>	<u>6/30/23</u>	<u>Change</u>
<i><u>Included in Restricted Fund Balance:</u></i>			
Workers' compensation fund	\$ 368,749	\$ 351,292	\$ 17,457
Unemployment compensation	360,694	359,060	1,634
Group insurance	742,819	707,654	35,165
Municipal insurance	44,059	44,912	(853)
<i><u>Included in Committed Fund Balance:</u></i>			
Open space acquisition stabilization	2,680,473	2,553,578	126,895
Athletic fields stabilization	1,138,478	939,952	198,526
Fire truck stabilization	224,913	117,201	107,712
Property acquisition / FAC maintenance stabilization	304,770	290,710	14,060
Traffic signal stabilization	4,659	4,654	5
Statewide opioid settlement stabilization	-	132,622	(132,622)
Metacomet Emergency Communications Center (MECC)	936,441	1,140,035	(203,594)
Property acquisition stabilization	203,105	-	203,105
Snow and ice stabilization	529,313	-	529,313
<i><u>Included in Unassigned Fund Balance:</u></i>			
General stabilization	6,876,822	6,575,207	301,615
Budget stabilization	<u>3,206,972</u>	<u>3,059,026</u>	<u>147,946</u>
Total	<u>\$ 17,622,267</u>	<u>\$ 16,275,903</u>	<u>\$ 1,346,364</u>

**Federal Grants Fund Major Governmental Fund**

The fund balance of the Federal Grants Fund major governmental fund changed by \$393,544 primarily from timing differences between the receipt and disbursement of grants.

**Nonmajor Governmental Funds**

The fund balance of the nonmajor governmental funds changed by \$272,254 primarily from an increase in intergovernmental revenues.

**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 \$12,517,070, a change of 265,557 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 \$9,165,416 comprised primarily of \$5,278,100 of prior year encumbrances and article carryforwards and \$3,017,616 of various capital items funded by free cash and transfers.

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

Revenue surplus for the current year was \$2,683,212 compared to \$3,202,567 in the prior year, primarily due to less favorable budgetary results from Property Taxes, Charges for Services and Intergovernmental Revenues. Overall actual amounts compared to the final budget were favorable with the Town receiving \$2,683,212 over budgeted revenues and expending \$1,578,581 less than budgeted expenditures. Some of the resulting surplus of \$4,261,793 was used primarily for their capital plan and for additions to their fund reserves (See page 57).

## **Capital Assets and Debt Administration**

### ***Capital Assets***

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$296,262,946 (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:

- \$4,278,621 for construction of the Beaver Street Interceptor.
- \$1,373,398 for Grove Street roadwork.
- \$632,268 for portable radios.

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 \$75,437,056, 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 remained at AAA.

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

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

**TOWN OF FRANKLIN, MASSACHUSETTS**

Statement of Net Position  
June 30, 2024

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Current Assets:			
Cash and short-term investments	\$ 37,338,892	\$ 10,094,767	\$ 47,433,659
Investments	18,933,987	-	18,933,987
Receivables:			
Property taxes	1,297,273	-	1,297,273
Excises	961,106	-	961,106
User fees	832,438	4,806,273	5,638,711
Intergovernmental	3,457,871	93,145	3,551,016
Betterments	-	4,895	4,895
Prepaid expenses	10,335	-	10,335
Other assets	696,897	-	696,897
Total Current Assets	63,528,799	14,999,080	78,527,879
Noncurrent Assets:			
Receivables:			
Property taxes	549,098	-	549,098
Betterments	-	25,850	25,850
Capital assets:			
Land and construction in progress	30,195,912	11,696,041	41,891,953
Other capital assets, net of accumulated depreciation	183,708,958	70,662,035	254,370,993
Total Noncurrent Assets	214,453,968	82,383,926	296,837,894
Total Assets	277,982,767	97,383,006	375,365,773
<b>Deferred Outflows of Resources</b>			
Related to pension	19,481,117	261,686	19,742,803
Related to OPEB	14,810	199	15,009
Total Deferred Outflows of Resources	19,495,927	261,885	19,757,812

(continued)

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

**TOWN OF FRANKLIN, MASSACHUSETTS**

Statement of Net Position  
June 30, 2024

(continued)

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>Liabilities</b>			
Current Liabilities:			
Accounts payable	3,409,936	3,220,541	6,630,477
Accrued liabilities	2,670,797	268,619	2,939,416
Unearned revenue	4,424,375	-	4,424,375
Held for performance guarantees	1,055,232	-	1,055,232
Other current liabilities	216,159	-	216,159
Current portion of long-term liabilities:			
Bonds and loans payable	4,425,392	2,249,026	6,674,418
Compensated absences liability	94,592	7,853	102,445
Total Current Liabilities	<u>16,296,483</u>	<u>5,746,039</u>	<u>22,042,522</u>
Noncurrent Liabilities:			
Bonds and loans payable, net of current portion	49,989,039	18,773,599	68,762,638
Compensated absences liability, net of current portion	1,797,241	149,225	1,946,466
Net pension liability	53,003,342	711,985	53,715,327
Net OPEB liability	<u>63,544,435</u>	<u>853,583</u>	<u>64,398,018</u>
Total Noncurrent Liabilities	<u>168,334,057</u>	<u>20,488,392</u>	<u>188,822,449</u>
Total Liabilities	184,630,540	26,234,431	210,864,971
<b>Deferred Inflows of Resources</b>			
Related to pension	325,158	4,368	329,526
Related to OPEB	<u>15,602,444</u>	<u>209,585</u>	<u>15,812,029</u>
Total Deferred Inflows of Resources	15,927,602	213,953	16,141,555
<b>Net Position</b>			
Net investment in capital assets	158,919,980	58,679,437	217,599,417
Restricted for:			
Grants and other statutory restrictions	14,338,707	-	14,338,707
Permanent funds:			
Nonexpendable	508,930	-	508,930
Expendable	1,765,840	-	1,765,840
Unrestricted	<u>(78,612,905)</u>	<u>12,517,070</u>	<u>(66,095,835)</u>
Total Net Position	<u>\$ 96,920,552</u>	<u>\$ 71,196,507</u>	<u>\$ 168,117,059</u>

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

**TOWN OF FRANKLIN, MASSACHUSETTS**

Statement of Activities  
For the Year Ended June 30, 2024

		Program Revenues		Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<b>Governmental Activities</b>						
General government	\$ 17,263,332	\$ 845,039	\$ 5,774,592	\$ (10,643,701)	\$ -	\$ (10,643,701)
Public safety	19,208,379	4,651,641	176,659	(14,380,079)	-	(14,380,079)
Education	115,649,001	3,288,302	52,988,560	(59,372,139)	-	(59,372,139)
Public works	8,614,939	257,304	64,561	(8,293,074)	-	(8,293,074)
Health and human services	1,850,597	229,359	273,092	(1,348,146)	-	(1,348,146)
Culture and recreation	2,955,786	815,879	108,389	(2,031,518)	-	(2,031,518)
Interest on long-term debt	2,325,228	-	-	(2,325,228)	-	(2,325,228)
Intergovernmental	7,172,610	-	-	(7,172,610)	-	(7,172,610)
Total Governmental Activities	175,039,872	10,087,524	59,385,853	(105,566,495)	-	(105,566,495)
<b>Business-Type Activities</b>						
Sewer services	6,392,719	7,401,962	-	-	1,009,243	1,009,243
Water services	7,584,337	8,395,728	129,289	-	940,680	940,680
Solid waste & Stormwater services	3,837,250	4,172,763	-	-	335,513	335,513
Total Business-Type Activities	17,814,306	19,970,453	129,289	-	2,285,436	2,285,436
Total	\$ 192,854,178	\$ 30,057,977	\$ 59,515,142	(105,566,495)	2,285,436	(103,281,059)
<b>General Revenues and Transfers</b>						
				95,321,545	-	95,321,545
				7,668,573	-	7,668,573
				408,689	-	408,689
				5,879,417	-	5,879,417
				2,016,470	39,825	2,056,295
				870,361	252,623	1,122,984
Total general revenues and transfers				112,165,055	292,448	112,457,503
Change in Net Position				6,598,560	2,577,884	9,176,444
<b>Net Position</b>						
Beginning of year				90,321,992	68,618,623	158,940,615
End of year				\$ 96,920,552	\$ 71,196,507	\$ 168,117,059

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

**TOWN OF FRANKLIN, MASSACHUSETTS**

Governmental Funds  
Balance Sheet  
June 30, 2024

	General Fund	Federal Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and short-term investments	\$ 23,320,035	\$ 5,070,510	\$ 8,948,347	\$ 37,338,892
Investments	13,079,171	-	5,854,816	18,933,987
Receivables:				
Property taxes	1,825,176	-	21,195	1,846,371
Excises	961,106	-	-	961,106
User fees	832,438	-	-	832,438
Due from others	17,127	-	-	17,127
Due from other governments		632,268	2,825,603	3,457,871
Prepaid expenses	10,335	-	-	10,335
Other assets	679,770	-	-	679,770
<b>Total Assets</b>	<b><u>\$ 40,725,158</u></b>	<b><u>\$ 5,702,778</u></b>	<b><u>\$ 17,649,961</u></b>	<b><u>\$ 64,077,897</u></b>
<b>Liabilities</b>				
Accounts payable	\$ 1,766,453	\$ 1,089,345	\$ 481,242	\$ 3,337,040
Accrued liabilities	2,062,455	7,456	65,440	2,135,351
Unearned revenue	-	4,424,375	-	4,424,375
Held for performance guarantees	1,055,232	-	-	1,055,232
Other liabilities	216,159	-	-	216,159
<b>Total Liabilities</b>	<b>5,100,299</b>	<b>5,521,176</b>	<b>546,682</b>	<b>11,168,157</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenues	3,635,848	-	21,195	3,657,043
<b>Total Deferred Inflows of Resources</b>	<b>3,635,848</b>	<b>-</b>	<b>21,195</b>	<b>3,657,043</b>
<b>Fund Balances</b>				
Nonspendable	10,335	-	508,930	519,265
Restricted	1,516,322	181,602	16,573,154	18,271,078
Committed	12,405,267	-	-	12,405,267
Assigned	533,240	-	-	533,240
Unassigned	17,523,847	-	-	17,523,847
<b>Total Fund Balances</b>	<b><u>31,989,011</u></b>	<b><u>181,602</u></b>	<b><u>17,082,084</u></b>	<b><u>49,252,697</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 40,725,158</u></b>	<b><u>\$ 5,702,778</u></b>	<b><u>\$ 17,649,961</u></b>	<b><u>\$ 64,077,897</u></b>

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, 2024

<b>Total Governmental Fund Balances</b>	\$ 49,252,697
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	213,904,870
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	3,657,043
• In the Statement of Activities, interest is accrued on outstanding long-term liabilities, whereas in governmental funds interest is not reported until due.	(608,342)
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:	
Bonds payable	(54,414,431)
Net pension liability and related deferred outflows and inflows of resources	(33,847,383)
Net OPEB liability and related deferred inflows of resources	(79,132,069)
Compensated absences liability	<u>(1,891,833)</u>
<b>Net Position of Governmental Activities</b>	\$ <u><u>96,920,552</u></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, 2024

	General Fund	Federal Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property taxes	\$ 93,634,360	\$ -	\$ 1,559,305	\$ 95,193,665
Excises	7,612,920	-	-	7,612,920
Penalties, interest, and other taxes	355,360	-	8,646	364,006
Charges for services	4,101,597	-	4,234,440	8,336,037
Licenses and permits	1,526,021	-	-	1,526,021
Intergovernmental	45,674,987	3,204,741	14,022,558	62,902,286
Fines and forfeitures	80,431	-	199,526	279,957
Contributions	-	-	798,644	798,644
Investment income	1,846,301	38,045	132,123	2,016,469
Miscellaneous	<u>236,215</u>	<u>-</u>	<u>375,108</u>	<u>611,323</u>
<b>Total Revenues</b>	<b>155,068,192</b>	<b>3,242,786</b>	<b>21,330,350</b>	<b>179,641,328</b>
<b>Expenditures</b>				
Current:				
General government	12,777,758	1,855,568	1,734,524	16,367,850
Public safety	15,389,111	114,297	812,132	16,315,540
Education	86,735,090	-	13,861,323	100,596,413
Public works	5,638,281	-	71,176	5,709,457
Health and human services	1,119,771	4,000	386,104	1,509,875
Culture and recreation	1,806,935	-	131,783	1,938,718
Insurance and benefits	13,513,406	-	-	13,513,406
Debt service:				
Principal	4,072,000	-	330,000	4,402,000
Interest	2,098,254	-	362,693	2,460,947
Intergovernmental	7,172,610	-	-	7,172,610
Capital outlay	<u>2,294,884</u>	<u>875,377</u>	<u>3,026,773</u>	<u>6,197,034</u>
<b>Total Expenditures</b>	<b><u>152,618,100</u></b>	<b><u>2,849,242</u></b>	<b><u>20,716,508</u></b>	<b><u>176,183,850</u></b>
Excess (deficiency) of revenues over expenditures	2,450,092	393,544	613,842	3,457,478
<b>Other Financing Sources (Uses)</b>				
Transfers in	501,482	-	159,894	661,376
Transfers out	<u>(159,894)</u>	<u>-</u>	<u>(501,482)</u>	<u>(661,376)</u>
<b>Total Other Financing Sources (Uses)</b>	<b><u>341,588</u></b>	<b><u>-</u></b>	<b><u>(341,588)</u></b>	<b><u>-</u></b>
Change in fund balance	2,791,680	393,544	272,254	3,457,478
Fund Balances, at Beginning of Year	<u>29,197,331</u>	<u>(211,942)</u>	<u>16,809,830</u>	<u>45,795,219</u>
Fund Balances, at End of Year	<u>\$ 31,989,011</u>	<u>\$ 181,602</u>	<u>\$ 17,082,084</u>	<u>\$ 49,252,697</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, 2024

<b>Net Changes in Fund Balances - Total Governmental Funds</b>	\$	3,457,478																											
<ul style="list-style-type: none"> <li>• 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: 10%;"></td> <td style="width: 20%; text-align: right;">6,588,735</td> </tr> <tr> <td>Depreciation</td> <td></td> <td style="text-align: right;">(10,552,987)</td> </tr> </table> </li> <li>• 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%;">Repayments of debt</td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">4,402,000</td> </tr> <tr> <td>Amortization of bond premium</td> <td></td> <td style="text-align: right;">105,391</td> </tr> </table> </li> <li>• 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: 10%;"></td> <td style="width: 20%; text-align: right;">190,957</td> </tr> </table> </li> <li>• 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: 10%;"></td> <td style="width: 20%; text-align: right;">465,224</td> </tr> <tr> <td>Change in OPEB expense from GASB 75</td> <td></td> <td style="text-align: right;">2,019,764</td> </tr> <tr> <td>Change in compensated absences</td> <td></td> <td style="text-align: right;">(108,330)</td> </tr> <tr> <td>Change in accrued interest</td> <td></td> <td style="text-align: right;">30,328</td> </tr> </table> </li> </ul>			Capital outlay		6,588,735	Depreciation		(10,552,987)	Repayments of debt		4,402,000	Amortization of bond premium		105,391			190,957	Change in pension expense from GASB 68		465,224	Change in OPEB expense from GASB 75		2,019,764	Change in compensated absences		(108,330)	Change in accrued interest		30,328
Capital outlay		6,588,735																											
Depreciation		(10,552,987)																											
Repayments of debt		4,402,000																											
Amortization of bond premium		105,391																											
		190,957																											
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Change in OPEB expense from GASB 75		2,019,764																											
Change in compensated absences		(108,330)																											
Change in accrued interest		30,328																											
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>6,598,560</u></b>																											

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

TOWN OF FRANKLIN, MASSACHUSETTS

Proprietary Funds  
Statement of Net Position  
June 30, 2024

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Nonmajor Solid Waste & Stormwater Funds	Total
<b>Assets</b>				
Current Assets:				
Cash and short-term investments	\$ 3,780,258	\$ 4,361,248	\$ 1,953,261	\$ 10,094,767
Receivables:				
User fees	2,209,991	2,215,431	380,851	4,806,273
Betterments	4,895	-	-	4,895
Intergovernmental receivables	-	93,145	-	93,145
Total Current Assets	5,995,144	6,669,824	2,334,112	14,999,080
Noncurrent Assets:				
Receivables:				
Betterments	25,850	-	-	25,850
Capital assets:				
Land and construction in progress	6,159,785	5,489,325	46,931	11,696,041
Other capital assets, net of accumulated depreciation	10,708,324	59,953,711	-	70,662,035
Total Noncurrent Assets	16,893,959	65,443,036	46,931	82,383,926
Total Assets	22,889,103	72,112,860	2,381,043	97,383,006
<b>Deferred Outflows of Resources</b>				
Related to pension	83,090	122,884	55,712	261,686
Related to OPEB	63	93	43	199
Total Deferred Outflows of Resources	83,153	122,977	55,755	261,885
<b>Liabilities</b>				
Current Liabilities:				
Accounts payable	1,777,018	1,197,381	246,142	3,220,541
Accrued liabilities	42,857	209,732	16,030	268,619
Current portion of long-term liabilities:				
Bonds and loans payable	245,000	2,004,026	-	2,249,026
Compensated absences liability	2,826	2,499	2,528	7,853
Total Current Liabilities	2,067,701	3,413,638	264,700	5,746,039
Noncurrent Liabilities:				
Bonds and loans payable, net of current portion	4,114,374	14,659,225	-	18,773,599
Compensated absences liability, net of current portion	53,700	47,486	48,039	149,225
Net pension liability	226,068	334,338	151,579	711,985
Net OPEB liability	271,028	400,830	181,725	853,583
Total Noncurrent Liabilities	4,665,170	15,441,879	381,343	20,488,392
Total Liabilities	6,732,871	18,855,517	646,043	26,234,431
<b>Deferred Inflows of Resources</b>				
Related to pension	1,387	2,051	930	4,368
Related to OPEB	66,547	98,418	44,620	209,585
Total Deferred Inflows of Resources	67,934	100,469	45,550	213,953
<b>Net Position</b>				
Net investment in capital assets	10,788,027	47,844,479	46,931	58,679,437
Unrestricted	5,383,424	5,435,372	1,698,274	12,517,070
Total Net Position	\$ 16,171,451	\$ 53,279,851	\$ 1,745,205	\$ 71,196,507

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, 2024

	Business-Type Activities			<u>Total</u>
	Enterprise Funds			
	<u>Sewer Fund</u>	<u>Water Fund</u>	Nonmajor Solid Waste & Stormwater <u>Funds</u>	
<b>Operating Revenues</b>				
Charges for services	\$ 7,401,962	\$ 8,395,728	\$ 4,172,763	\$ 19,970,453
<b>Operating Expenses</b>				
Salaries and benefits	1,370,014	2,121,573	1,308,158	4,799,745
Other operating expenses	1,021,414	2,493,115	2,529,092	6,043,621
Depreciation	506,831	2,352,630	-	2,859,461
Intergovernmental assessments	3,430,990	-	-	3,430,990
Total Operating Expenses	<u>6,329,249</u>	<u>6,967,318</u>	<u>3,837,250</u>	<u>17,133,817</u>
Operating Income	1,072,713	1,428,410	335,513	2,836,636
<b>Nonoperating Revenues (Expenses)</b>				
Investment income	13,450	16,925	9,450	39,825
Intergovernmental revenue	-	129,289	-	129,289
Miscellaneous revenues	9,597	224,005	19,021	252,623
Interest expense	(63,470)	(617,019)	-	(680,489)
Total Nonoperating Revenues (Expenses), Net	<u>(40,423)</u>	<u>(246,800)</u>	<u>28,471</u>	<u>(258,752)</u>
Change in Net Position	1,032,290	1,181,610	363,984	2,577,884
Net Position at Beginning of Year	<u>15,139,161</u>	<u>52,098,241</u>	<u>1,381,221</u>	<u>68,618,623</u>
Net Position at End of Year	<u>\$ 16,171,451</u>	<u>\$ 53,279,851</u>	<u>\$ 1,745,205</u>	<u>\$ 71,196,507</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, 2024

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Nonmajor Solid Waste & Stormwater Fund	Total
<b>Cash Flows From Operating Activities</b>				
Receipts from customers and users	\$ 7,119,464	\$ 8,362,141	\$ 4,042,629	\$ 19,524,234
Payments to vendors	(4,112,556)	(2,717,352)	(2,580,123)	(9,410,031)
Payments to employees	<u>(1,426,757)</u>	<u>(2,263,200)</u>	<u>(837,352)</u>	<u>(4,527,309)</u>
Net Cash Provided By Operating Activities	1,580,151	3,381,589	625,154	5,586,894
<b>Cash Flows From Noncapital Financing Activities</b>				
Miscellaneous revenues	<u>-</u>	<u>224,005</u>	<u>19,021</u>	<u>243,026</u>
Net Cash Provided By Noncapital Financing Activities	-	224,005	19,021	243,026
<b>Cash Flows From Capital and Related Financing Activities</b>				
Acquisition and construction of capital assets	(3,472,975)	(2,258,326)	-	(5,731,301)
Proceeds from state revolving fund program	2,689,374	-	-	2,689,374
Principal payments on bonds and loans	(293,000)	(2,365,176)	-	(2,658,176)
Interest expense	(51,847)	(468,244)	-	(520,091)
Massachusetts Clean Water Trust drawdowns	-	145,700	-	145,700
Other nonoperating income	<u>9,633</u>	<u>-</u>	<u>-</u>	<u>9,633</u>
Net Cash (Used For) Capital and Related Financing Activities	(1,118,815)	(4,946,046)	-	(6,064,861)
<b>Cash Flows From Investing Activities</b>				
Investment income	<u>13,450</u>	<u>16,925</u>	<u>9,450</u>	<u>39,825</u>
Net Change in Cash and Short-Term Investments	474,786	(1,323,527)	653,625	(195,116)
Cash and Short-Term Investments, Beginning of Year	<u>3,305,472</u>	<u>5,684,775</u>	<u>1,299,636</u>	<u>10,289,883</u>
Cash and Short-Term Investments, End of Year	<u>\$ 3,780,258</u>	<u>\$ 4,361,248</u>	<u>\$ 1,953,261</u>	<u>\$ 10,094,767</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>				
Operating income	\$ 1,072,713	\$ 1,428,410	\$ 335,513	\$ 2,836,636
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	506,831	2,352,630	-	2,859,461
Changes in assets, liabilities, and deferred outflows/inflows:				
User fees receivable	(282,498)	(33,587)	(130,134)	(446,219)
Deferred outflows - related to pension	(34,046)	(47,549)	(55,712)	(137,307)
Deferred outflows - related to OPEB	1,180	1,816	(43)	2,953
Accounts payable	339,850	(224,237)	56,957	172,570
Net pension liability	14,584	9,482	151,579	175,645
Net OPEB liability	(15,114)	(38,705)	181,725	127,906
Deferred inflows - related to pension	1,387	2,051	930	4,368
Deferred inflows - related to OPEB	(32,738)	(54,091)	44,620	(42,209)
Other liabilities	<u>8,002</u>	<u>(14,631)</u>	<u>39,719</u>	<u>33,090</u>
Net Cash Provided By Operating Activities	<u>\$ 1,580,151</u>	<u>\$ 3,381,589</u>	<u>\$ 625,154</u>	<u>\$ 5,586,894</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, 2024

	Other Post Employment Benefits Trust <u>Fund</u>	Private Purpose Trust <u>Funds</u>	Custodial <u>Funds</u>
<b>Assets</b>			
Cash and short-term investments	\$ -	\$ 57,365	\$ 458,575
Investments:			
External investment pool	<u>14,369,222</u>	<u>-</u>	<u>-</u>
Total Investments	<u>14,369,222</u>	<u>-</u>	<u>-</u>
Total Assets	14,369,222	57,365	458,575
<b>Net Position</b>			
Restricted for OPEB purposes	14,369,222	-	-
Restricted for individuals, organizations and other governments	<u>-</u>	<u>57,365</u>	<u>458,575</u>
Total Net Position	<u>\$ 14,369,222</u>	<u>\$ 57,365</u>	<u>\$ 458,575</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, 2024

	Other Post Employment Benefits Trust <u>Fund</u>	Private Purpose Trust Funds	Custodial Funds
<b>Additions</b>			
Contributions:			
Employer	\$ 3,634,634	\$ -	\$ -
Other	<u>-</u>	<u>21,000</u>	<u>380,662</u>
Total Contributions	3,634,634	21,000	380,662
Investment income:			
Investment income	1,246,520	3,273	957
Investment management fees	<u>(55,366)</u>	<u>-</u>	<u>-</u>
Net investment income	<u>1,191,154</u>	<u>3,273</u>	<u>957</u>
Total Additions	4,825,788	24,273	381,619
<b>Deductions</b>			
Benefit payments to plan members beneficiaries			
	2,805,568	-	-
Scholarship payments	-	34,250	-
Intergovernmental payments	-	-	33,788
Student activity fund payments	<u>-</u>	<u>-</u>	<u>375,555</u>
Total Deductions	<u>2,805,568</u>	<u>34,250</u>	<u>409,343</u>
Change in Net Position	2,020,220	(9,977)	(27,724)
<b>Restricted Net Position</b>			
Beginning of Year	<u>12,349,002</u>	<u>67,342</u>	<u>486,299</u>
End of Year	<u>\$ 14,369,222</u>	<u>\$ 57,365</u>	<u>\$ 458,575</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 2024, 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 2024.

***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.

#### *Recently Adopted Governmental Accounting Standards*

GASB Statement No. 100, *Accounting Changes and Error Correction- an amendment of GASB Statement No. 62*, establishes standards to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This pronouncement had no impact on the financial statements of the Town.

#### *Recently Issued Governmental Accounting Standards*

The Town will adopt the following new accounting pronouncements in future years, management is currently studying the impact of these pronouncements:

- GASB Statement 101 – *Compensated Absences* is effective for the Town’s fiscal year ending June 30, 2025.
- GASB Statement 102 – *Certain Risk Disclosures* is effective for the Town’s fiscal year ended June 30, 2025.
- GASB Statement 103 – *Financial Reporting Model Improvements* is effective for the Town’s fiscal year ended June 30, 2026.
- GASB Statement 104 – *Disclosure of Certain Capital Assets* is effective for the Town’s fiscal year ended June 30, 2026.

## **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, 2024, none of the Town’s bank balance of \$46,380,207 was exposed to custodial credit risk as uninsured and uncollateralized. Additionally, \$425,483 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, 2024:

<u>Investment Type</u>	<u>Amount</u>
Market-linked certificates of deposits	\$ 196,650
Corporate bonds	9,142,970
Corporate equities	2,151,517
Fixed income mutual funds	565,322
U.S. Treasury notes	5,901,231
Federal agencies	<u>976,297</u>
Total investments	<u>\$ 18,933,987</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, 2024, 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, 2024, the credit quality ratings, as rated by Moody’s Investors Service, Inc. of the Town’s remaining debt securities were as follows:

Investment Type	Amount	Rating as of Year End				
		Aaa	Aa1 - Aa3	A1 - A3	Baa1 - B3	Unrated
Market-linked certificates of deposits	\$ 196,650	\$ -	\$ -	\$ -	\$ -	\$ 196,650
Corporate bonds	9,142,970	864,269	47,635	5,513,708	2,717,352	-
U.S. Treasury Notes	5,901,231	5,901,231	-	-	-	-
Fixed income mutual funds	565,322	509,861	-	-	-	322,908
Federal agencies	976,297	951,299	-	-	-	24,997
Total	\$ 16,782,470	\$ 8,226,661	\$ 47,635	\$ 5,513,708	\$ 2,717,352	\$ 544,556

*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, 2024, 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, 2024:

<u>Investment Type</u>	<u>Amount</u>	<u>Effective Duration</u> <u>Years</u>
Market-linked certificates of deposits	\$ 196,650	1.45
Corporate bonds	9,142,970	9.45
Fixed income mutual funds	565,322	2.50
U.S. Treasury notes	5,901,231	7.06
Federal agencies	<u>976,297</u>	8.32
Total	\$ <u>16,782,470</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, 2024, 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, 2024:

<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	\$ 196,650	\$ -	\$ 196,650
Corporate bonds	9,142,970	-	9,142,970
Corporate equities	2,151,517	2,151,517	-
Fixed income mutual funds	565,322	-	565,322
U.S. Treasury notes	5,901,231	5,901,231	-
Federal agencies	976,297	-	976,297
<b>Total</b>	<b>\$ 18,933,987</b>	<b>\$ 8,052,748</b>	<b>\$ 10,881,239</b>

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, 2024 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, 2024, 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 2024 tax levy reflected an excess capacity of \$53,432.

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, 2024 consisted of the following:

	<u>Gross Amount</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>
Real estate taxes	\$ 955,587	\$ 955,587	\$ -
Personal property taxes	176,117	176,117	-
Tax liens	610,109	61,011	549,098
Other	<u>104,558</u>	<u>104,558</u>	<u>-</u>
Total property taxes	<u>\$ 1,846,371</u>	<u>\$ 1,297,273</u>	<u>\$ 549,098</u>
Motor vehicle excise	\$ 958,692	\$ 958,692	\$ -
Boat excise	<u>2,414</u>	<u>2,414</u>	<u>-</u>
Total excises	<u>\$ 961,106</u>	<u>\$ 961,106</u>	<u>\$ -</u>

## 6. User Fees Receivables

Receivables for user charges at June 30, 2024 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 2024.

## 8. Capital Assets

Capital asset activity for the year ended June 30, 2024 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 252,950	\$ 307	\$ -	\$ 253,257
Machinery, equipment, and furnishings	21,329	2,590	(474)	23,445
Infrastructure	<u>90,190</u>	<u>1,401</u>	<u>-</u>	<u>91,591</u>
Total capital assets, being depreciated	364,469	4,298	(474)	368,293
Less accumulated depreciation for:				
Buildings and improvements	(102,490)	(6,819)	-	(109,309)
Machinery, equipment, and furnishings	(11,822)	(2,122)	474	(13,470)
Infrastructure	<u>(60,193)</u>	<u>(1,612)</u>	<u>-</u>	<u>(61,805)</u>
Total accumulated depreciation	<u>(174,505)</u>	<u>(10,553)</u>	<u>474</u>	<u>(184,584)</u>
Total capital assets, being depreciated, net	189,964	(6,255)	-	183,709
Capital assets, not being depreciated:				
Land	27,263	-	-	27,263
Works of art	96	-	-	96
Construction in progress	<u>546</u>	<u>2,291</u>	<u>-</u>	<u>2,837</u>
Total capital assets, not being depreciated	<u>27,905</u>	<u>2,291</u>	<u>-</u>	<u>30,196</u>
Governmental activities capital assets, net	<u>\$ 217,869</u>	<u>\$ (3,964)</u>	<u>\$ -</u>	<u>\$ 213,905</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 637	\$ -	\$ -	\$ 637
Machinery, equipment, and furnishings	2,981	30	(25)	2,986
Infrastructure	<u>133,775</u>	<u>2,699</u>	<u>-</u>	<u>136,474</u>
Total capital assets, being depreciated	137,393	2,729	(25)	140,097
Less accumulated depreciation for:				
Buildings and improvements	(228)	(28)	-	(256)
Machinery, equipment, and furnishings	(1,720)	(208)	25	(1,903)
Infrastructure	<u>(64,653)</u>	<u>(2,623)</u>	<u>-</u>	<u>(67,276)</u>
Total accumulated depreciation	<u>(66,601)</u>	<u>(2,859)</u>	<u>25</u>	<u>(69,435)</u>
Total capital assets, being depreciated, net	70,792	(130)	-	70,662
Capital assets, not being depreciated:				
Land	4,136	-	-	4,136
Construction in progress	<u>2,190</u>	<u>6,146</u>	<u>(776)</u>	<u>7,560</u>
Total capital assets, not being depreciated	<u>6,326</u>	<u>6,146</u>	<u>(776)</u>	<u>11,696</u>
Business-type activities capital assets, net	<u>\$ 77,118</u>	<u>\$ 6,016</u>	<u>\$ (776)</u>	<u>\$ 82,358</u>

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

<b>Governmental Activities</b>	
General government	\$ 588,217
Public safety	1,172,893
Education	5,524,004
Public works	2,213,438
Health and human services	234,113
Culture and recreation	<u>820,322</u>
Total governmental activities	<u>\$ 10,552,987</u>
<b>Business-Type Activities</b>	
Sewer	\$ 506,831
Water	<u>2,352,630</u>
Total business-type activities	<u>\$ 2,859,461</u>

## 9. 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.

## 10. 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.

## 11. 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).

## 12. 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>	<u>Original Issue</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/24</u>
<b>General Obligation Bonds</b>				
Public offerings:				
Keller-Sullivan School	\$ 7,300,000	03/15/25	3.25 - 5.50%	\$ 355,001
General obligation refunding 2015	3,135,000	03/15/27	2.00 - 4.00%	550,000
General obligation refunding 2016	7,310,000	03/01/28	4.00%	2,735,000
High School construction	43,990,000	06/15/38	4.125 - 5.00%	31,780,000
General obligation library bond	9,150,000	05/15/39	3.00 - 5.00%	6,850,000
General obligation municipal purpose	2,443,500	05/15/43	2.50 - 5.00%	2,065,000
General obligation 2021 technology	1,206,000	05/01/41	2.00 - 5.00%	900,000
General obligation 2021 fire trucks	686,900	05/01/41	2.00 - 5.00%	515,000
General obligation 2022 land acquisition	2,965,000	05/15/42	3.25 - 5.00%	2,665,000
General obligation 2022 municipal building	1,320,000	05/15/32	3.25 - 5.00%	1,050,000
General obligation 2022 school drains	380,000	05/15/32	3.25 - 5.00%	300,000
General obligation 2023 land acquisition	3,535,000	12/15/42	4.00 - 5.00%	3,355,000
Total Governmental Activities				\$ <u>53,120,001</u>

**Business-Type Activities**

	Original Issue	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/24
<u>General Obligation Bonds</u>				
Public offerings:				
Water mains	\$ 3,000,000	03/15/25	4.26%	\$ 145,000
Water refunding 2015	1,857,000	03/15/27	2.00 - 4.00%	540,000
Sewer refunding 2015	1,928,000	03/15/27	2.00 - 4.00%	380,000
Water line replacement	5,000,000	06/15/28	4.00 - 5.00%	1,650,000
Water infrastructure improvements	4,541,500	05/15/33	2.50 - 5.00%	2,605,000
Water 2021 - Well Station 3	1,022,400	05/01/41	2.00 - 5.00%	915,000
SRF Interceptor	33,000,000	07/15/23	1.50%	2,689,374
Sewer 2021 - Beaver St	1,444,700	05/01/41	2.00 - 5.00%	<u>1,290,000</u>
Total public offerings				10,214,374
<u>Loans - Direct Borrowings</u>				
Water treatment facility DW-02-12	5,889,794	08/01/24	2.50 - 5.25%	383,229
MCWT DW-19-02	12,579,500	01/15/41	2.00%	<u>10,425,022</u>
Total loans - direct borrowings				<u>10,808,251</u>
Total Business-Type Activities				<u>\$ 21,022,625</u>

**Future Debt Service**

The annual payments to retire all general obligation bonds and loans outstanding as of June 30, 2024 were as follows:

Governmental Year	Bonds - Public Offerings	
	Principal	Interest
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	3,090,000	1,553,727
2030-2034	15,760,000	5,317,974
2035-2039	17,375,000	2,771,851
2040-2044	<u>1,685,000</u>	<u>154,747</u>
Total	<u>\$ 53,120,001</u>	<u>\$ 17,571,138</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, 2024.

Business-Type Year	Bonds Payable		Loans - Direct Borrowings	
	Principal	Interest	Principal	Interest
2025	\$ 1,250,000	\$ 275,756	\$ 999,026	\$ 208,500
2026	1,110,000	225,331	615,511	196,185
2027	3,614,373	176,831	615,218	183,874
2028	750,000	137,481	614,919	171,570
2029	760,000	103,281	614,613	159,272
2030-2034	1,705,000	225,524	3,068,246	612,101
2035-2039	715,000	70,700	3,059,550	305,616
2040-2044	310,000	6,700	1,221,169	36,631
Total	<u>\$ 10,214,373</u>	<u>\$ 1,221,604</u>	<u>\$ 10,808,252</u>	<u>\$ 1,873,749</u>

### Changes in Long-Term Liabilities

During the year ended June 30, 2024, the following changes occurred in long-term liabilities (in thousands):

	Beginning Balance	Additions	Reductions	Total Balance 6/30/24	Less Current Portion	Equals Long-Term Portion 6/30/24
<b>Governmental Activities</b>						
Bonds payable:						
Public offerings	\$ 57,522	\$ -	\$ (4,402)	\$ 53,120	\$ (4,320)	\$ 48,800
Unamortized premium	<u>1,399</u>	<u>-</u>	<u>(105)</u>	<u>1,294</u>	<u>(105)</u>	<u>1,189</u>
Subtotal	58,921	-	(4,507)	54,414	(4,425)	49,989
Compensated absences liability	1,812	442	(362)	1,892	(95)	1,797
Net pension liability	44,672	8,331	-	53,003	-	53,003
Net OPEB liability	<u>60,442</u>	<u>3,102</u>	<u>-</u>	<u>63,544</u>	<u>-</u>	<u>63,544</u>
Totals	<u>\$ 165,847</u>	<u>\$ 11,875</u>	<u>\$ (4,870)</u>	<u>\$ 172,853</u>	<u>\$ (4,520)</u>	<u>\$ 168,333</u>
<b>Business-Type Activities</b>						
Bonds payable:						
Public offerings	\$ 8,913	\$ -	\$ (1,388)	\$ 7,525	\$ (1,250)	\$ 6,275
Loans payable (direct borrowings)	<u>12,079</u>	<u>2,689</u>	<u>(1,270)</u>	<u>13,498</u>	<u>(999)</u>	<u>12,499</u>
Subtotal	20,992	2,689	(2,658)	21,023	(2,249)	18,774
Compensated absences liability	123	58	(25)	156	(8)	149
Net pension liability	536	176	-	712	-	712
Net OPEB liability	<u>726</u>	<u>182</u>	<u>(54)</u>	<u>854</u>	<u>-</u>	<u>854</u>
Totals	<u>\$ 22,377</u>	<u>\$ 3,105</u>	<u>\$ (2,737)</u>	<u>\$ 22,746</u>	<u>\$ (2,257)</u>	<u>\$ 20,489</u>

### 13. 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.

### 14. Governmental Funds – Fund Balances

The Town's fund balances at June 30, 2024 were comprised of the following:

	General Fund	Federal Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>				
Prepaid expenses	\$ 10,335	\$ -	\$ -	\$ 10,335
Permanent funds	-	-	508,930	508,930
Total Nonspendable	10,335	-	508,930	519,265
<b>Restricted</b>				
Special revenue funds:				
Extracurricular athletics	-	-	402,289	402,289
Transportation	-	-	486,435	486,435
Pre-kindergarten	-	-	564,406	564,406
Circuit breaker	-	-	3,483,327	3,483,327
Lifelong Learning	-	-	977,723	977,723
School lunch	-	-	1,183,612	1,183,612
Parking meter receipts	-	-	486,287	486,287
Wetlands protection	-	-	233,760	233,760
Ambulance receipts	-	-	125,118	125,118
40B Franklin heights infrastructure	-	-	164,000	164,000
Community preservation	-	-	3,233,941	3,233,941
Other	-	181,602	2,816,207	2,997,809
Capital projects funds	-	-	650,209	650,209
Permanent trust funds	-	-	1,765,840	1,765,840
Insurance reserves	1,516,322	-	-	1,516,322
Total Restricted	1,516,322	181,602	16,573,154	18,271,078
<b>Committed</b>				
Reserve for continuing resolutions	6,383,116	-	-	6,383,116
Capital improvement stabilization funds	5,085,711	-	-	5,085,711
MECC stabilization	936,440	-	-	936,440
Total Committed	12,405,267	-	-	12,405,267
<b>Assigned</b>				
General government	147,935	-	-	147,935
Public safety	53,063	-	-	53,063
Education	88,832	-	-	88,832
Public works	241,109	-	-	241,109
Culture and recreation	2,301	-	-	2,301
Total Assigned	533,240	-	-	533,240
<b>Unassigned</b>				
General Fund	7,440,053	-	-	7,440,053
General stabilization fund	6,876,822	-	-	6,876,822
Budget stabilization fund	3,206,972	-	-	3,206,972
Total Unassigned	17,523,847	-	-	17,523,847
Total Fund Balance	\$ 31,989,011	\$ 181,602	\$ 17,082,084	\$ 49,252,697

## 15. Restricted Net Position

The Town's restricted net position at June 30, 2024 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	761,247
Extracurricular athletics	402,289
Transportation	486,435
Pre-kindergarten	564,406
Circuit breaker	3,483,327
Lifelong Learning	977,723
School lunch	1,183,612
Parking meter receipts	486,287
Wetlands protection	233,760
Ambulance receipts	125,118
40B Franklin heights infrastructure	164,000
Community preservation	3,233,941
Other special revenue funds	<u>2,816,207</u>
Total	<u>\$ 16,613,477</u>

## 16. 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 2024 were as follows:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 501,482	\$ 159,894
Nonmajor Governmental Funds:		
Special revenue funds	<u>159,894</u>	<u>501,482</u>
Total	<u>\$ 661,376</u>	<u>\$ 661,376</u>

## 17. 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, 2024 was \$7,501,821 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, 2024, the Town reported a liability of \$53,715,332 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2024. At June 30, 2024, the Town’s proportion was 7.725258%, which was a decrease of 0.092342% from its proportion measured as of December 31, 2022.

For the year ended June 30, 2024, the Town recognized pension expense of \$7,372,096. 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	\$ 3,869,507	\$ -
Changes of assumptions	9,080,257	-
Net difference between projected and actual earnings on pension plan investments	6,638,583	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>154,456</u>	<u>329,526</u>
Total	<u>\$ 19,742,803</u>	<u>\$ 329,526</u>

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

<u>Year Ended June 30:</u>	
2025	\$ 5,107,652
2026	5,030,495
2027	6,959,165
2028	<u>2,315,965</u>
Total	\$ <u>19,413,277</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, 2024
Inflation	2.75%
Projected salary increases	4.0% to 5.5%
Investment rate of return	7.63%
Cost of living increases	2.75% of the first \$18,000 of
Remaining amortization period	5 years

Mortality rates were based on the Pub-2010 Public Retirement Plans Mortality Tables Report from the Society of Actuaries.

***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%	7.3%
International equities	15.5%	7.9%
Fixed income	20.5%	4.9%
Real estate	9.5%	7.0%
Private equity	10.0%	10.2%
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, 2023 was 7.625%. 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 7.625%, 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	Current Discount Rate	1% Increase
<u>(6.625%)</u>	<u>(7.625%)</u>	<u>(8.625%)</u>
\$ 70,796,815	\$ 53,715,327	\$ 39,201,895

***Pension Plan Fiduciary Net Position***

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

## **18. Massachusetts Teachers' Retirement System (MTRS)**

### ***Plan Description***

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing, multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth of Massachusetts on behalf of municipal teachers and municipal teacher retirees. The Commonwealth of Massachusetts is a nonemployer contributor and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is part of the Commonwealth of Massachusetts's reporting entity and does not issue a 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 except for teachers subject to Chapter 114 of the Acts of 2000

In addition, members who join MTRS on or after April 2, 2012 will have their withholding rates reduced to 3% after achieving 30 years of creditable service.

### *Actuarial Assumptions*

The net pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of January 1, 2023 rolled forward to June 30, 2023. 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-2021 (gender distinct).
  - Post-retirement - reflects Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2021 (gender distinct).
  - Disability - assumed to be in accordance with Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2021 (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, 2023 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	37.00%	4.90%
Core fixed income	15.00%	1.90%
Private equity	16.00%	7.40%
Portfolio completion strategies	10.00%	3.80%
Real estate	10.00%	3.00%
Value added fixed income	8.00%	5.10%
Timber/natural resources	4.00%	4.30%
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):

	Current	
1%	Discount	1%
Decrease	Rate	Increase
<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
\$ 33,378,000	\$ 26,290,271	\$ 20,292,000

***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 2023 (the most recent measurement period), the Town’s proportionate share of the MTRS’ collective net pension liability was \$146,010,640 based on a proportionate share of 0.555379%. As required by GASB 68, the Town has recognized its portion of the Commonwealth of Massachusetts’s contribution of \$11,933,295 as both a revenue and expenditure on the Statement of Revenues, Expenditures, and Changes in Fund Balances.

**19. 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, 2024.

**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 MA Strategic Health Group and is administered by Harvard Pilgrim. 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, 2024, 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, 2024, the annual money-weighted rate of return on investments, net of investment expense, was 9.62%. 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, 2024 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, 2024, were as follows:

Total OPEB liability	\$ 78,767,240
Plan fiduciary net position	<u>14,369,222</u>
Net OPEB liability	<u>\$ 64,398,018</u>
Plan fiduciary net position as a percentage of the total OPEB liability	18.24%

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	\$ 73,516,932	\$ 12,349,002	\$ 61,167,930
Changes for the year:			
Service cost	2,692,176	-	2,692,176
Interest	5,603,545	-	5,603,545
Contributions - employer	-	3,634,634	(3,634,634)
Net investment income	-	1,246,520	(1,246,520)
Benefit payments	(3,045,413)	(2,805,568)	(239,845)
Administrative expense	-	(55,366)	55,366
Net Changes	<u>5,250,308</u>	<u>2,020,220</u>	<u>3,230,088</u>
Balance, end of year	<u>\$ 78,767,240</u>	<u>\$ 14,369,222</u>	<u>\$ 64,398,018</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>
\$ 75,296,202	\$ 64,398,018	\$ 55,433,502

**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>
\$ 57,958,216	\$ 64,398,018	\$ 85,495,032

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

For the year ended June 30, 2024, the Town recognized an OPEB expense of \$1,943,365. At June 30, 2024, 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	\$ -	\$ 15,633,863
Difference between projected and actual investments earnings	15,009	-
Change in assumptions	<u>-</u>	<u>178,166</u>
Total	<u>\$ 15,009</u>	<u>\$ 15,812,029</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>	
2025	\$ (4,827,648)
2026	(3,703,939)
2027	(3,649,139)
2028	(3,048,223)
2029	<u>(568,071)</u>
Total	\$ <u><u>(15,797,020)</u></u>

## **20. 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 \$533,240 in encumbrances that will be honored in the next fiscal year.

## **21. Subsequent Events**

Management has evaluated subsequent events through March 19, 2025, which is the date the financial statements were available to be issued.

**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, 2024

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original <u>Budget</u>	Final <u>Budget</u>	Actual <u>Amounts</u>	
<b>Revenues</b>				
Property taxes	\$ 94,206,992	\$ 93,584,598	\$ 93,634,360	\$ 49,762
Motor vehicle excise	5,266,161	5,266,161	5,723,505	457,344
Other excise	1,365,701	1,365,701	1,889,415	523,714
Penalties, interest, and other taxes	381,095	381,095	355,360	(25,735)
Charges for services	3,474,276	3,474,276	4,101,597	627,321
Licenses and permits	1,302,294	1,302,294	1,526,021	223,727
Intergovernmental	33,836,768	33,836,768	33,741,692	(95,076)
Fines and forfeitures	71,992	71,992	80,431	8,439
Investment income	363,260	363,260	1,075,352	712,092
Miscellaneous	<u>-</u>	<u>-</u>	<u>201,624</u>	<u>201,624</u>
Total Revenues	<u>140,268,539</u>	<u>139,646,145</u>	<u>142,329,357</u>	<u>2,683,212</u>
<b>Expenditures</b>				
General government	12,934,095	13,368,995	12,925,693	443,302
Public safety	15,666,468	15,838,692	15,442,174	396,518
Education	74,830,591	74,945,068	74,890,627	54,441
Public works	6,009,768	6,707,372	6,400,612	306,760
Health and human services	1,266,368	1,279,829	1,119,771	160,058
Culture and recreation	1,940,161	1,970,197	1,809,236	160,961
Employee benefits	15,076,071	14,436,659	14,303,406	133,253
Debt service	6,180,254	6,180,254	6,170,254	10,000
Intergovernmental	6,364,763	7,085,694	7,172,610	(86,916)
Capital outlay	<u>-</u>	<u>7,171,195</u>	<u>7,170,991</u>	<u>204</u>
Total Expenditures	<u>140,268,539</u>	<u>148,983,955</u>	<u>147,405,374</u>	<u>1,578,581</u>
Excess (Deficiency) of Revenues over Expenditures	-	(9,337,810)	(5,076,017)	4,261,793
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	2,292,094	2,379,482	87,388
Transfers out	-	(1,250,000)	(1,275,000)	(25,000)
Use of free cash				
Capital plan	-	2,567,616	-	(2,567,616)
Proplerty acquisition stabilization	-	200,000	-	(200,000)
Fields stabilization	-	150,000	-	(150,000)
Firetruck stabilization	-	100,000	-	(100,000)
Use of prior year assigned and committed fund balances (encumbrances and carryforwards)	<u>-</u>	<u>5,278,100</u>	<u>5,278,100</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>9,337,810</u>	<u>6,382,582</u>	<u>(2,955,228)</u>
Overall Budgetary Excess (Deficiency)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,306,565</u>	\$ <u>1,306,565</u>

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	\$ 155,068,192	\$ 152,618,100	\$ 341,588
Add end-of-year appropriation carryforwards to expenditures	-	5,409,347	-
To record use of prior year assigned fund balance (encumbrances)	-	-	5,278,100
To reverse MTRS on behalf payment	(11,933,295)	(11,933,295)	-
Reclassification of indirect costs	-	1,593,000	1,593,000
Reverse effect of combining stabilization funds with General Fund per GASB 54	(805,540)	(3,000)	(551,328)
Other items	-	(278,778)	(278,778)
Budgetary Basis	<u>\$ 142,329,357</u>	<u>\$ 147,405,374</u>	<u>\$ 6,382,582</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, 2024	December 31, 2023	7.725258%	\$53,715,327	\$ 29,976,161	179.19%	66.60%
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, 2024	June 30, 2023	0.555379%	\$ -	\$ 146,010,640	\$ 146,010,640	\$ 48,946,358	0.00%	58.48%
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%

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

<u>Fiscal Year</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2024	\$ 7,501,821	\$ 7,501,821	\$ -	\$ 29,976,161	25.03%
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

<u>Fiscal Year</u>	<u>Actuarially Determined Contribution Provided by Commonwealth</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2024	\$ 11,933,295	\$ 11,933,295	\$ -	\$ 48,946,358	24.38%
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%

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

	2024	2023	2022	2021	2020	2019	2018	2017
<b>Total OPEB Liability</b>								
Service cost	\$ 2,692,176	\$ 2,962,384	\$ 2,834,817	\$ 2,572,656	\$ 2,461,872	\$ 2,355,858	\$ 2,749,555	\$ 2,631,153
Interest	5,603,545	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>(3,045,413)</u>	<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	5,250,308	(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>73,516,932</u>	<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)	78,767,240	73,516,932	85,452,216	79,448,221	79,806,924	74,261,856	78,437,012	72,621,770
<b>Plan Fiduciary Net Position</b>								
Contributions - employer	3,634,634	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)	1,246,520	694,331	(468,875)	2,115,284	110,265	280,311	383,452	521,740
Benefit payments, including refunds of member contributions	(2,805,568)	(2,684,754)	(2,702,679)	(2,588,101)	(2,437,236)	(2,408,121)	(2,311,621)	(2,387,829)
Other	<u>(55,366)</u>	<u>(55,063)</u>	-	-	-	-	<u>(22,867)</u>	-
Net change in plan fiduciary net position	2,020,220	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>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>	<u>1,972,234</u>
Plan fiduciary net position - ending (b)	<u>14,369,222</u>	<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>64,398,018</u>	\$ <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

	2024	2023	2022	2021	2020	2019	2018	2017
<b>Schedule of Net OPEB Liability</b>								
Total OPEB liability	\$ 78,767,240	\$ 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>14,369,222</u>	<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>64,398,018</u>	\$ <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	18.24%	16.80%	12.29%	12.34%	8.50%	7.68%	5.72%	4.58%
Covered employee payroll	\$ 79,584,553	\$ 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	80.92%	79.55%	106.51%	102.44%	112.74%	107.78%	116.26%	112.75%
<b>Schedule of Contributions</b>								
Actuarially determined contribution	\$ 8,344,029	\$ 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>3,634,634</u>	<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>4,709,395</u>	\$ <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	\$ 79,584,553	\$ 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	4.57%	5.06%	5.50%	5.20%	5.26%	5.27%	4.93%	5.24%
<b>Schedule of Investment Returns</b>								
Annual money weighted rate of return, net of investment expense	9.62%	6.04%	-4.78%	29.91%	2.38%	12.17%	6.11%	11.93%

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