



## **TOWN OF FRANKLIN, MASSACHUSETTS**

Financial Statements  
and Required Supplementary Information  
For the Year Ended June 30, 2022

(With Independent Auditor's Report Thereon)

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## INDEPENDENT AUDITOR'S 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, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town 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***

The Town's 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

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Merrimack, New Hampshire  
Andover, Massachusetts  
Greenfield, Massachusetts  
Ellsworth, Maine

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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.

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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



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

***Required Supplementary Information***

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2023 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.

A handwritten signature in black ink that reads "Melanson".

Andover, Massachusetts  
March 30, 2023

## 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, 2022.

### **Overview of the Financial Statements**

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

### ***Government-Wide Financial Statements***

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

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

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

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

### ***Fund Financial Statements***

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

### ***Governmental Funds***

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

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

### ***Proprietary Funds***

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

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

### ***Fiduciary Funds***

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

### ***Notes to Financial Statements***

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



### **Required Supplementary Information**

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

### **Financial Highlights**

- As of the close of the current fiscal year, net position in governmental activities was \$88,726,609 a change of \$4,624,779, and net position in business-type activities was \$64,553,838, a change of \$3,831,604.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$43,375,734, a change of \$5,168,383 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$15,270,016, a change of \$939,347 in comparison to the prior year.

### **Government-Wide Financial Analysis**

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

	NET POSITION (in thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Assets</b>						
Current and other assets	\$ 54,892	\$ 46,606	\$ 15,013	\$ 14,842	\$ 69,905	\$ 61,448
Capital assets	<u>221,515</u>	<u>224,918</u>	<u>76,065</u>	<u>75,119</u>	<u>297,580</u>	<u>300,037</u>
Total Assets	276,407	271,524	91,078	89,961	367,485	361,485
<b>Deferred Outflows of Resources</b>	5,800	6,744	76	96	5,876	6,840
<b>Liabilities</b>						
Current liabilities	13,957	11,403	3,905	4,094	17,862	15,497
Noncurrent liabilities	<u>159,014</u>	<u>163,970</u>	<u>22,427</u>	<u>24,975</u>	<u>181,441</u>	<u>188,945</u>
Total Liabilities	172,971	175,373	26,332	29,069	199,303	204,442
<b>Deferred Inflows of Resources</b>	20,509	18,794	269	266	20,778	19,060
<b>Net Position</b>						
Net investment in capital assets	163,529	167,583	53,264	50,497	216,793	218,080
Restricted	14,425	12,280	-	-	14,425	12,280
Unrestricted	<u>(89,227)</u>	<u>(95,762)</u>	<u>11,289</u>	<u>10,225</u>	<u>(77,938)</u>	<u>(85,537)</u>
Total Net Position	<u>\$ 88,727</u>	<u>\$ 84,101</u>	<u>\$ 64,553</u>	<u>\$ 60,722</u>	<u>\$ 153,280</u>	<u>\$ 144,823</u>

As noted earlier, net position may serve over time as a useful indicator of the Town's financial position. At the close of the most recent fiscal year, total net position was \$153,280,447, a change of \$8,456,383 in comparison to the prior year.

The largest portion of net position \$216,792,429 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 \$14,425,034 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 \$(77,937,016) primarily resulting from unfunded pension and OPEB liabilities.

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

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 9,721	\$ 7,009	\$ 16,981	\$ 16,257	\$ 26,702	\$ 23,266
Operating grants and contributions	49,127	59,196	760	-	49,887	59,196
General revenues:						
Property taxes	88,647	84,353	-	-	88,647	84,353
Excises	6,479	5,951	-	-	6,479	5,951
Penalties, interest, and other taxes	375	431	-	-	375	431
Grants and contributions not restricted to specific programs	5,315	4,892	-	-	5,315	4,892
Investment income (loss)	(332)	472	30	29	(302)	501
Miscellaneous	557	350	66	307	623	657
Betterment revenue	-	-	14	13	14	13
<b>Total Revenues</b>	<b>159,889</b>	<b>162,654</b>	<b>17,851</b>	<b>16,606</b>	<b>177,740</b>	<b>179,260</b>

(continued)

(continued)

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Expenses</b>						
General government	15,946	15,022	-	-	15,946	15,022
Public safety	16,248	16,972	-	-	16,248	16,972
Education	102,683	109,149	-	-	102,683	109,149
Public works	7,974	7,546	-	-	7,974	7,546
Human services	1,397	1,118	-	-	1,397	1,118
Culture and recreation	2,566	2,293	-	-	2,566	2,293
Interest on long-term debt	2,291	2,413	-	-	2,291	2,413
Intergovernmental	6,171	6,034	-	-	6,171	6,034
Sewer services	-	-	5,193	5,290	5,193	5,290
Water services	-	-	6,481	5,659	6,481	5,659
Solid waste services	-	-	2,333	2,476	2,333	2,476
Total Expenses	<u>155,276</u>	<u>160,547</u>	<u>14,007</u>	<u>13,425</u>	<u>169,283</u>	<u>173,972</u>
Change in net position before transfers	4,613	2,107	3,844	3,181	8,457	5,288
Transfers in (out)	<u>13</u>	<u>(23)</u>	<u>(13)</u>	<u>23</u>	<u>-</u>	<u>-</u>
Change in net position	4,626	2,084	3,831	3,204	8,457	5,288
Net position - beginning of year	<u>84,101</u>	<u>82,017</u>	<u>60,722</u>	<u>57,518</u>	<u>144,823</u>	<u>139,535</u>
Net position - end of year	<u>\$ 88,727</u>	<u>\$ 84,101</u>	<u>\$ 64,553</u>	<u>\$ 60,722</u>	<u>\$ 153,280</u>	<u>\$ 144,823</u>

**Governmental Activities**

Governmental activities for the year resulted in a change in net position of \$4,624,779. Key elements of this change are as follows:

General Fund operating results	\$ 2,109,213
Change in pension expense from GASB 68	4,130,878
Change in OPEB expense from GASB 75	(1,728,046)
Other	<u>112,734</u>
Total	<u>\$ 4,624,779</u>

**Business-Type Activities**

Business-type activities for the year resulted in a change in net position of \$3,831,604. The Water Fund's net position increased \$2,496,918 primarily due to user rates raised for capital outlay in the amount of \$2,103,000. The Sewer Fund's net position increased \$916,028 primarily due to user rates raised for capital outlay in the amount of \$506,000.

## Financial Analysis of Town's Funds

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

### **Governmental Funds**

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

#### *General Fund*

The General Fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$15,270,016, while total fund balance was \$27,484,449. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to General Fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/22</u>	<u>6/30/21</u>	<u>Change</u>	<u>% of General Fund Expenditures*</u>
Unassigned fund balance	\$ 15,270,016	\$ 14,330,669	\$ 939,347	11.7%
Total fund balance	\$ 27,484,449	\$ 25,375,236	\$ 2,109,213	21.1%

\* 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 \$9,687,057.

The total fund balance of the General Fund changed by \$2,109,213 during the current fiscal year. Key factors in this change are as follows:

Use of free cash as a funding source	\$ (4,470,514)
Revenues in excess of budget	3,445,832
Expenditures and encumbrances less than budget	1,182,136
Increase to stabilization funds	1,266,241
Other	<u>685,518</u>
Total	<u>\$ 2,109,213</u>

Included in the fund balance of the General Fund are the Town's stabilization accounts with the following balances:

	<u>6/30/22</u>	<u>6/30/21</u>	<u>Change</u>
General stabilization	\$ 6,442,797	\$ 6,634,735	\$ (191,938)
Budget stabilization	2,004,900	1,039,145	965,755
Open space acquisition stabilization	2,479,594	2,533,290	(53,696)
Athletic fields stabilization	769,918	636,309	133,609
Fire truck stabilization	16,462	16,855	(393)
Property acquisition / FAC maintenance stabilization	283,510	290,283	(6,773)
Traffic signal stabilization	4,651	4,649	2
Metacomet Emergency Communications Center (MECC)	<u>887,694</u>	<u>468,019</u>	<u>419,675</u>
Total	<u>\$ 12,889,526</u>	<u>\$ 11,623,285</u>	<u>\$ 1,266,241</u>

*Federal Grants Fund Major Governmental Fund*

The fund balance of the Federal Grants Fund major governmental fund changed by \$62,968 primarily from timing differences between the receipt and disbursement of grants.

*Nonmajor Governmental Funds*

The fund balance of the nonmajor governmental funds changed by \$2,996,202 primarily from timing differences between the receipt and disbursement of grants and timing differences between capital expenditures and permanent financing of capital projects.

**Proprietary Funds**

Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$11,290,172, a change of \$1,064,630 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 \$10,170,952 comprised primarily of \$5,555,109 of prior year encumbrances and article carryforwards and \$4,470,514 of various capital items funded by free cash and transfers.

Revenue surplus for the current year was \$3,445,832 compared to \$3,210,191 in the prior year, primarily due to more favorable budgetary results from motor vehicle excise collections, charges for services, and intergovernmental revenue.

## **Capital Assets and Debt Administration**

### ***Capital Assets***

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$297,579,793 (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:

- \$4,590,000 for Maple Hill land.
- \$1,212,354 for sewer interceptor replacement.
- \$899,066 for technology upgrades.
- \$760,037 for Arlington Street waterline improvements.

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

### ***Long-Term Debt***

At the end of the current fiscal year, total bonds and loans outstanding, including unamortized premium, were \$83,098,642, all of which was backed by the full faith and credit of the Town.

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

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

## **Stabilization and Other Accounts**

The Town has made extensive efforts to maintain and increase their stabilization and other account balances. This effort allows the Town to reduce future debt requirements and stabilize Town finances. There have been many different stabilization funds that have been created and used throughout the years based on the Town's needs. The other account balances are set aside to prepare the Town for future costs including OPEB. Refer to page 10 for the stabilization detail. Refer to page 23 for the OPEB reserve established as a fiduciary trust fund.

Other reserve accounts are comprised of the following:

Affordable housing trust	\$ 1,031,117
Workers' compensation fund	341,115
Unemployment compensation	358,356
Group insurance	687,151
Municipal insurance	<u>49,460</u>
	<u>\$ 2,467,199</u>

### **Requests for Information**

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

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

**TOWN OF FRANKLIN, MASSACHUSETTS**

Statement of Net Position  
June 30, 2022

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Current:			
Cash and short-term investments	\$ 35,643,413	\$ 10,329,795	\$ 45,973,208
Investments	15,914,707	-	15,914,707
Receivables, net of allowance for uncollectibles:			
Property taxes	728,659	-	728,659
Excises	478,048	-	478,048
User fees	1,148,845	4,283,611	5,432,456
Intergovernmental	-	357,745	357,745
Betterments	370	10,218	10,588
Other assets	<u>401,378</u>	<u>-</u>	<u>401,378</u>
Total Current Assets	54,315,420	14,981,369	69,296,789
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	575,880	-	575,880
Betterments	-	32,443	32,443
Capital assets:			
Land and construction in progress	23,357,695	6,107,944	29,465,639
Other capital assets, net of accumulated depreciation	<u>198,157,556</u>	<u>69,956,598</u>	<u>268,114,154</u>
Total Noncurrent Assets	<u>222,091,131</u>	<u>76,096,985</u>	<u>298,188,116</u>
Total Assets	276,406,551	91,078,354	367,484,905
<b>Deferred Outflows of Resources</b>			
Related to pension	5,637,259	73,916	5,711,175
Related to OPEB	<u>162,997</u>	<u>2,138</u>	<u>165,135</u>
Total Deferred Outflows of Resources	5,800,256	76,054	5,876,310

(continued)

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



**TOWN OF FRANKLIN, MASSACHUSETTS**

Statement of Net Position  
June 30, 2022

(continued)

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>Liabilities</b>			
Current:			
Warrants and accounts payable	1,900,073	738,278	2,638,351
Accrued liabilities	2,453,282	81,125	2,534,407
Unearned revenue	3,891,491	711,148	4,602,639
Held for performance guarantees	835,478	-	835,478
Other current liabilities	182,350	-	182,350
Current portion of long-term liabilities:			
Bonds and loans payable	4,616,141	2,369,252	6,985,393
Compensated absences liability	<u>78,679</u>	<u>4,889</u>	<u>83,568</u>
Total Current Liabilities	13,957,494	3,904,692	17,862,186
Noncurrent:			
Bonds and loans payable, net of current portion	55,121,822	20,991,427	76,113,249
Compensated absences liability, net of current portion	1,494,906	92,915	1,587,821
Net pension liability	28,420,518	372,648	28,793,166
Net OPEB liability	<u>73,976,506</u>	<u>969,976</u>	<u>74,946,482</u>
Total Noncurrent Liabilities	<u>159,013,752</u>	<u>22,426,966</u>	<u>181,440,718</u>
Total Liabilities	172,971,246	26,331,658	199,302,904
<b>Deferred Inflows of Resources</b>			
Related to pension	12,485,564	163,710	12,649,274
Related to OPEB	<u>8,023,388</u>	<u>105,202</u>	<u>8,128,590</u>
Total Deferred Inflows of Resources	20,508,952	268,912	20,777,864
<b>Net Position</b>			
Net investment in capital assets	163,528,763	53,263,666	216,792,429
Restricted for:			
Grants and other statutory restrictions	12,289,677	-	12,289,677
Permanent funds:			
Nonexpendable	508,930	-	508,930
Expendable	1,626,427	-	1,626,427
Unrestricted	<u>(89,227,188)</u>	<u>11,290,172</u>	<u>(77,937,016)</u>
Total Net Position	<u>\$ 88,726,609</u>	<u>\$ 64,553,838</u>	<u>\$ 153,280,447</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, 2022

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Governmental Activities</b>						
General government	\$ 15,945,757	\$ 1,254,124	\$ 1,957,700	\$ (12,733,933)	\$ -	\$ (12,733,933)
Public safety	16,248,120	3,970,219	228,991	(12,048,910)	-	(12,048,910)
Education	102,682,735	3,468,474	46,169,024	(53,045,237)	-	(53,045,237)
Public works	7,973,970	246,084	392,398	(7,335,488)	-	(7,335,488)
Health and human services	1,397,104	140,614	214,960	(1,041,530)	-	(1,041,530)
Culture and recreation	2,565,866	641,144	164,303	(1,760,419)	-	(1,760,419)
Interest on long-term debt	2,291,472	-	-	(2,291,472)	-	(2,291,472)
Intergovernmental	<u>6,170,776</u>	<u>-</u>	<u>-</u>	<u>(6,170,776)</u>	<u>-</u>	<u>(6,170,776)</u>
Total Governmental Activities	155,275,800	9,720,659	49,127,376	(96,427,765)	-	(96,427,765)
<b>Business-Type Activities</b>						
Sewer services	5,193,474	6,085,276	-	-	891,802	891,802
Water services	6,480,621	8,166,843	760,037	-	2,446,259	2,446,259
Solid waste services	<u>2,332,926</u>	<u>2,728,692</u>	<u>-</u>	<u>-</u>	<u>395,766</u>	<u>395,766</u>
Total Business-Type Activities	<u>14,007,021</u>	<u>16,980,811</u>	<u>760,037</u>	<u>-</u>	<u>3,733,827</u>	<u>3,733,827</u>
Total	\$ <u>169,282,821</u>	\$ <u>26,701,470</u>	\$ <u>49,887,413</u>	(96,427,765)	3,733,827	(92,693,938)
<b>General Revenues and Transfers</b>						
Property taxes				88,647,375	-	88,647,375
Excises				6,478,510	-	6,478,510
Penalties, interest, and other taxes				374,499	-	374,499
Grants and contributions not restricted to specific programs				5,314,963	-	5,314,963
Investment income (loss)				(332,472)	30,350	(302,122)
Miscellaneous				556,786	66,268	623,054
Betterment revenue				-	14,042	14,042
Transfers, net				<u>12,883</u>	<u>(12,883)</u>	<u>-</u>
Total general revenues and transfers				<u>101,052,544</u>	<u>97,777</u>	<u>101,150,321</u>
Change in Net Position				4,624,779	3,831,604	8,456,383
<b>Net Position</b>						
Beginning of year				<u>84,101,830</u>	<u>60,722,234</u>	<u>144,824,064</u>
End of year				\$ <u>88,726,609</u>	\$ <u>64,553,838</u>	\$ <u>153,280,447</u>

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

**TOWN OF FRANKLIN, MASSACHUSETTS**

Governmental Funds  
Balance Sheet  
June 30, 2022

	General Fund	Federal Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and short-term investments	\$ 20,952,386	\$ 3,612,124	\$ 11,078,902	\$ 35,643,412
Investments	10,295,684	-	5,619,023	15,914,707
Receivables:				
Property taxes	1,595,137	-	14,604	1,609,741
Excises	846,393	-	-	846,393
User fees	2,264,685	-	-	2,264,685
Other assets	401,378	-	-	401,378
Total Assets	<u>\$ 36,355,663</u>	<u>\$ 3,612,124</u>	<u>\$ 16,712,529</u>	<u>\$ 56,680,316</u>
<b>Liabilities</b>				
Warrants and accounts payable	\$ 1,372,800	\$ 38,908	\$ 488,365	\$ 1,900,073
Accrued liabilities	1,774,356	-	-	1,774,356
Unearned revenue	-	3,891,491	-	3,891,491
Held for performance guarantees	835,492	-	-	835,492
Other liabilities	182,350	-	-	182,350
Total Liabilities	4,164,998	3,930,399	488,365	8,583,762
<b>Deferred Inflows of Resources</b>				
Unavailable revenues	4,706,216	-	14,604	4,720,820
Total Deferred Inflows of Resources	4,706,216	-	14,604	4,720,820
<b>Fund Balances</b>				
Nonspendable	-	-	508,930	508,930
Restricted	1,436,082	-	15,700,630	17,136,712
Committed	9,741,968	-	-	9,741,968
Assigned	1,036,383	-	-	1,036,383
Unassigned	15,270,016	(318,275)	-	14,951,741
Total Fund Balances	<u>27,484,449</u>	<u>(318,275)</u>	<u>16,209,560</u>	<u>43,375,734</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 36,355,663</u>	<u>\$ 3,612,124</u>	<u>\$ 16,712,529</u>	<u>\$ 56,680,316</u>

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, 2022

<b>Total Governmental Fund Balances</b>	\$ 43,375,734
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	221,515,251
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	2,931,804
• In the Statement of Activities, interest is accrued on outstanding long-term liabilities, whereas in governmental funds interest is not reported until due.	(678,912)
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:	
Bonds payable	(59,737,963)
Net pension liability and related deferred outflows and inflows of resources	(35,268,823)
Net OPEB liability and related deferred inflows of resources	(81,836,897)
Compensated absences liability	<u>(1,573,585)</u>
<b>Net Position of Governmental Activities</b>	\$ <u>88,726,609</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, 2022

	General <u>Fund</u>	Federal Grants <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>Revenues</b>				
Property taxes	\$ 87,144,701	\$ -	\$ 1,377,084	\$ 88,521,785
Excises	6,465,227	-	-	6,465,227
Penalties, interest, and other taxes	330,066	-	2,884	332,950
Charges for services	3,510,196	-	4,076,762	7,586,958
Licenses and permits	1,435,383	-	-	1,435,383
Intergovernmental	42,663,771	534,886	9,956,409	53,155,066
Fines and forfeitures	60,673	-	3,640	64,313
Contributions	-	-	485,194	485,194
Investment income (loss)	(308,280)	926	(25,131)	(332,485)
Miscellaneous	<u>592,602</u>	<u>-</u>	<u>459,722</u>	<u>1,052,324</u>
Total Revenues	141,894,339	535,812	16,336,564	158,766,715
<b>Expenditures</b>				
Current:				
General government	10,717,221	-	1,524,660	12,241,881
Public safety	12,772,985	73,306	639,550	13,485,841
Education	80,098,977	-	8,828,938	88,927,915
Public works	5,285,582	-	297,094	5,582,676
Health and human services	772,567	735	307,045	1,080,347
Culture and recreation	1,512,114	-	91,286	1,603,400
Insurance and benefits	13,419,177	-	-	13,419,177
Debt service:				
Principal	4,387,900	-	-	4,387,900
Interest	2,399,869	-	-	2,399,869
Intergovernmental	6,170,776	-	-	6,170,776
Capital outlay	<u>2,151,937</u>	<u>398,803</u>	<u>6,600,845</u>	<u>9,151,585</u>
Total Expenditures	<u>139,689,105</u>	<u>472,844</u>	<u>18,289,418</u>	<u>158,451,367</u>
Excess (deficiency) of revenues over expenditures	2,205,234	62,968	(1,952,854)	315,348
<b>Other Financing Sources (Uses)</b>				
Issuance of bonds	-	-	4,665,000	4,665,000
Bond premiums	-	-	175,152	175,152
Transfers in	-	-	108,904	108,904
Transfers out	<u>(96,021)</u>	<u>-</u>	<u>-</u>	<u>(96,021)</u>
Total Other Financing Sources (Uses)	<u>(96,021)</u>	<u>-</u>	<u>4,949,056</u>	<u>4,853,035</u>
Change in fund balance	2,109,213	62,968	2,996,202	5,168,383
Fund Balances, at Beginning of Year	<u>25,375,236</u>	<u>(381,243)</u>	<u>13,213,358</u>	<u>38,207,351</u>
Fund Balances, at End of Year	<u>\$ 27,484,449</u>	<u>\$ (318,275)</u>	<u>\$ 16,209,560</u>	<u>\$ 43,375,734</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, 2022

<b>Net Changes in Fund Balances - Total Governmental Funds</b>	\$ 5,168,383																						
<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: 30%; text-align: right;">6,954,610</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(10,357,381)</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%;">Issuance of debt</td> <td style="width: 30%; text-align: right;">(4,665,000)</td> </tr> <tr> <td>Repayments of debt</td> <td style="text-align: right;">4,387,900</td> </tr> <tr> <td>Additions to bond premium</td> <td style="text-align: right;">(175,152)</td> </tr> <tr> <td>Amortization of bond premium</td> <td style="text-align: right;">79,703</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: 30%; text-align: right;">712,946</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: 30%; text-align: right;">4,130,878</td> </tr> <tr> <td>Change in OPEB expense from GASB 75</td> <td style="text-align: right;">(1,728,046)</td> </tr> <tr> <td>Change in compensated absences</td> <td style="text-align: right;">87,244</td> </tr> <tr> <td>Change in accrued interest</td> <td style="text-align: right;">28,694</td> </tr> </table> </li> </ul>		Capital outlay	6,954,610	Depreciation	(10,357,381)	Issuance of debt	(4,665,000)	Repayments of debt	4,387,900	Additions to bond premium	(175,152)	Amortization of bond premium	79,703		712,946	Change in pension expense from GASB 68	4,130,878	Change in OPEB expense from GASB 75	(1,728,046)	Change in compensated absences	87,244	Change in accrued interest	28,694
Capital outlay	6,954,610																						
Depreciation	(10,357,381)																						
Issuance of debt	(4,665,000)																						
Repayments of debt	4,387,900																						
Additions to bond premium	(175,152)																						
Amortization of bond premium	79,703																						
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Change in pension expense from GASB 68	4,130,878																						
Change in OPEB expense from GASB 75	(1,728,046)																						
Change in compensated absences	87,244																						
Change in accrued interest	28,694																						
<b>Change in Net Position of Governmental Activities</b>	<b>\$ <u>4,624,779</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, 2022

	Business-Type Activities Enterprise Funds			<u>Total</u>
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Nonmajor Solid Waste Fund</u>	
<b>Assets</b>				
Current:				
Cash and short-term investments	\$ 3,953,660	\$ 5,176,756	\$ 1,199,379	\$ 10,329,795
Receivables, net of allowance for uncollectibles:				
User fees	1,726,740	2,324,286	232,585	4,283,611
Betterments	10,218	-	-	10,218
Intergovernmental receivables	<u>-</u>	<u>357,745</u>	<u>-</u>	<u>357,745</u>
Total Current Assets	5,690,618	7,858,787	1,431,964	14,981,369
Noncurrent:				
Receivables, net of allowance for uncollectibles:				
Betterments	32,443	-	-	32,443
Capital assets:				
Land and construction in progress	1,679,105	4,381,908	46,931	6,107,944
Other capital assets, net of accumulated depreciation	<u>10,040,195</u>	<u>59,916,403</u>	<u>-</u>	<u>69,956,598</u>
Total Noncurrent Assets	<u>11,751,743</u>	<u>64,298,311</u>	<u>46,931</u>	<u>76,096,985</u>
Total Assets	17,442,361	72,157,098	1,478,895	91,078,354
<b>Deferred Outflows of Resources</b>				
Related to pension	27,482	46,434	-	73,916
Related to OPEB	<u>795</u>	<u>1,343</u>	<u>-</u>	<u>2,138</u>
Total Deferred Outflows of Resources	28,277	47,777	-	76,054
<b>Liabilities</b>				
Current:				
Warrants and accounts payable	110,801	412,560	214,917	738,278
Accrued liabilities	23,172	54,968	2,985	81,125
Unearned revenue	-	711,148	-	711,148
Current portion of long-term liabilities:				
Bonds and loans payable	288,000	2,081,252	-	2,369,252
Compensated absences liability	<u>1,865</u>	<u>2,613</u>	<u>411</u>	<u>4,889</u>
Total Current Liabilities	423,838	3,262,541	218,313	3,904,692
Noncurrent:				
Bonds and loans payable, net of current portion	1,963,000	19,028,427	-	20,991,427
Compensated absences liability, net of current portion	35,444	49,656	7,815	92,915
Net pension liability	138,551	234,097	-	372,648
Net OPEB liability	<u>360,639</u>	<u>609,337</u>	<u>-</u>	<u>969,976</u>
Total Noncurrent Liabilities	<u>2,497,634</u>	<u>19,921,517</u>	<u>7,815</u>	<u>22,426,966</u>
Total Liabilities	2,921,472	23,184,058	226,128	26,331,658
<b>Deferred Inflows of Resources</b>				
Related to pension	60,868	102,842	-	163,710
Related to OPEB	<u>39,114</u>	<u>66,088</u>	<u>-</u>	<u>105,202</u>
Total Deferred Inflows of Resources	99,982	168,930	-	268,912
<b>Net Position</b>				
Net investment in capital assets	9,670,358	43,546,377	46,931	53,263,666
Unrestricted	<u>4,778,826</u>	<u>5,305,510</u>	<u>1,205,836</u>	<u>11,290,172</u>
Total Net Position	<u>\$ 14,449,184</u>	<u>\$ 48,851,887</u>	<u>\$ 1,252,767</u>	<u>\$ 64,553,838</u>

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, 2022

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Nonmajor Solid Waste Fund	Total
<b>Operating Revenues</b>				
Charges for services	\$ 6,085,276	\$ 8,166,843	\$ 2,728,692	\$ 16,980,811
<b>Operating Expenses</b>				
Salaries and benefits	1,099,754	1,769,411	188,807	3,057,972
Other operating expenses	600,660	1,974,447	2,144,119	4,719,226
Depreciation	443,429	2,169,359	-	2,612,788
Intergovernmental assessments	<u>2,962,869</u>	<u>-</u>	<u>-</u>	<u>2,962,869</u>
Total Operating Expenses	<u>5,106,712</u>	<u>5,913,217</u>	<u>2,332,926</u>	<u>13,352,855</u>
Operating Income	978,564	2,253,626	395,766	3,627,956
<b>Nonoperating Revenues (Expenses)</b>				
Investment income	11,900	15,825	2,625	30,350
Intergovernmental revenue	-	760,037	-	760,037
Miscellaneous revenues	-	46,001	20,267	66,268
Interest expense	<u>(86,762)</u>	<u>(567,404)</u>	<u>-</u>	<u>(654,166)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(74,862)</u>	<u>254,459</u>	<u>22,892</u>	<u>202,489</u>
Income Before Contributions and Transfers	903,702	2,508,085	418,658	3,830,445
Contributions	14,042	-	-	14,042
Transfers	<u>(1,716)</u>	<u>(11,167)</u>	<u>-</u>	<u>(12,883)</u>
Change in Net Position	916,028	2,496,918	418,658	3,831,604
Net Position at Beginning of Year	<u>13,533,156</u>	<u>46,354,969</u>	<u>834,109</u>	<u>60,722,234</u>
Net Position at End of Year	<u>\$ 14,449,184</u>	<u>\$ 48,851,887</u>	<u>\$ 1,252,767</u>	<u>\$ 64,553,838</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, 2022

	Business-Type Activities Enterprise Funds			Total
	Sewer Fund	Water Fund	Nonmajor Solid Waste Fund	
<b>Cash Flows From Operating Activities</b>				
Receipts from customers and users	\$ 5,988,905	\$ 7,943,495	\$ 2,730,874	\$ 16,663,274
Payments to vendors	(3,462,972)	(1,709,001)	(2,111,820)	(7,283,793)
Payments to employees	<u>(1,155,426)</u>	<u>(1,869,738)</u>	<u>(189,112)</u>	<u>(3,214,276)</u>
Net Cash Provided By Operating Activities	1,370,507	4,364,756	429,942	6,165,205
<b>Cash Flows From Noncapital Financing Activities</b>				
Miscellaneous revenues	-	46,001	20,267	66,268
Intergovernmental revenue	-	1,471,185	-	1,471,185
Transfers out	<u>(1,716)</u>	<u>(11,167)</u>	<u>-</u>	<u>(12,883)</u>
Net Cash Provided By (Used For) Noncapital Financing Activities	(1,716)	1,506,019	20,267	1,524,570
<b>Cash Flows From Capital and Related Financing Activities</b>				
Acquisition and construction of capital assets	(1,399,982)	(2,157,672)	-	(3,557,654)
Principal payments on bonds and loans	(321,700)	(2,149,281)	-	(2,470,981)
Principal payments on notes	-	(1,200,000)	-	(1,200,000)
Interest expense	(89,274)	(561,942)	-	(651,216)
Massachusetts Clean Water Trust drawdowns	-	636,518	-	636,518
Other nonoperating income	<u>25,672</u>	<u>-</u>	<u>-</u>	<u>25,672</u>
Net Cash (Used For) Capital and Related Financing Activities	(1,785,284)	(5,432,377)	-	(7,217,661)
<b>Cash Flows From Investing Activities</b>				
Investment income	<u>11,900</u>	<u>15,825</u>	<u>2,625</u>	<u>30,350</u>
Net Change in Cash and Short-Term Investments	(404,593)	454,223	452,834	502,464
Cash and Short-Term Investments, Beginning of Year	<u>4,358,253</u>	<u>4,722,533</u>	<u>746,545</u>	<u>9,827,331</u>
Cash and Short-Term Investments, End of Year	<u>\$ 3,953,660</u>	<u>\$ 5,176,756</u>	<u>\$ 1,199,379</u>	<u>\$ 10,329,795</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>				
Operating income	\$ 978,564	\$ 2,253,626	\$ 395,766	\$ 3,627,956
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	443,429	2,169,359	-	2,612,788
Changes in assets, liabilities, and deferred outflows/inflows:				
User fees receivable	(96,371)	(223,348)	2,181	(317,538)
Deferred outflows - related to pension	7,996	13,715	-	21,711
Deferred outflows - related to OPEB	(795)	(1,343)	-	(2,138)
Warrants and accounts payable	100,557	265,446	32,128	398,131
Net pension liability	(65,706)	(112,200)	-	(177,906)
Net OPEB liability	(631)	(3,157)	-	(3,788)
Deferred inflows - related to pension	22,364	37,563	-	59,927
Deferred inflows - related to OPEB	(21,072)	(35,951)	-	(57,023)
Other liabilities	<u>2,172</u>	<u>1,046</u>	<u>(133)</u>	<u>3,085</u>
Net Cash Provided By Operating Activities	<u>\$ 1,370,507</u>	<u>\$ 4,364,756</u>	<u>\$ 429,942</u>	<u>\$ 6,165,205</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, 2022

	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	\$ -	\$ 79,859	\$ 422,810
Investments:			
External investment pool	<u>10,505,734</u>	<u>-</u>	<u>-</u>
Total Investments	<u>10,505,734</u>	<u>-</u>	<u>-</u>
Total Assets	10,505,734	79,859	422,810
<b>Liabilities</b>			
Warrants and accounts payable	<u>-</u>	<u>2,000</u>	<u>-</u>
Total Liabilities	-	2,000	-
<b>Net Position</b>			
Restricted for OPEB purposes	10,505,734	-	-
Restricted for individuals, organizations and other governments	<u>-</u>	<u>77,859</u>	<u>422,810</u>
Total Net Position	<u>\$ 10,505,734</u>	<u>\$ 77,859</u>	<u>\$ 422,810</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, 2022

	Other Post Employment Benefits Trust <u>Fund</u>	Private Purpose Trust Funds	Custodial Funds
<b>Additions</b>			
Contributions:			
Employer	\$ 3,871,679	\$ -	\$ -
Other	<u>-</u>	<u>30,250</u>	<u>438,668</u>
Total Contributions	3,871,679	30,250	438,668
Investment income:			
Interest	-	-	35
Decrease in fair value of investments	<u>(468,875)</u>	<u>(262)</u>	<u>-</u>
Net investment income (loss)	<u>(468,875)</u>	<u>(262)</u>	<u>35</u>
Total Additions	3,402,804	29,988	438,703
<b>Deductions</b>			
Benefit payments to plan members beneficiaries and other systems	2,702,679	-	-
Scholarship payments	-	37,750	-
Intergovernmental payments	-	-	32,713
Student activity fund payments	<u>-</u>	<u>-</u>	<u>376,200</u>
Total Deductions	<u>2,702,679</u>	<u>37,750</u>	<u>408,913</u>
Change in Net Position	700,125	(7,762)	29,790
<b>Restricted Net Position</b>			
Beginning of Year	<u>9,805,609</u>	<u>85,621</u>	<u>393,020</u>
End of Year	<u>\$ 10,505,734</u>	<u>\$ 77,859</u>	<u>\$ 422,810</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 2022, 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.

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

***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.

***Long-Term Obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported in the applicable

governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

### ***Fund Equity***

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

### ***Fund Balance***

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

- *Nonspendable* represents amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. This fund balance classification includes General Fund prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.
- *Restricted* represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes capital projects funded by grants and bond issuances, various special revenue funds, and the income portion of permanent trust funds.
- *Committed* represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town’s highest level of decision-making authority (Town Council). This fund balance classification includes General Fund non-lapsing capital appropriations approved by Town Council, capital improvement stabilization funds (now reported as part of the General Fund per GASB 54), and various special revenue and expendable trust funds.
- *Assigned* represents amounts that are constrained by the Town’s intent to use these resources for a specific purpose. This fund balance classification includes General Fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.
- *Unassigned* represents amounts that are available to be spent in future periods, general stabilization, and deficit funds. The General Fund is the only fund that reports a positive unassigned fund balance.



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

#### *Net Position*

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

#### *Use of Estimates*

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

## **2. Stewardship, Compliance, and Accountability**

#### *Budgetary Information*

The Town Administrator presents, on behalf of the Finance Committee, an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by Town Council, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at Town Council meetings as required by changing conditions.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by Massachusetts General Laws and must be raised in the next year's tax rate. It has been the practice of the Town to pay for any of these type of deficiencies by using available funds in the year incurred.

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

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

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

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

#### ***Deposits***

##### ***Custodial Credit Risk***

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The Town's policies related to the custodial credit risk of deposits is that the Treasurer will review the financial institution's financial statements and the background of the Advisor. Further, all securities held by a third-party custodian will be held in the Town's name and tax identification number.

As of June 30, 2022, none of the Town's bank balance of \$48,865,956 was exposed to custodial credit risk as uninsured and uncollateralized. Additionally, \$386,812 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, 2022:

<u>Investment Type</u>	<u>Amount</u>
Market-linked certificates of deposits	\$ 567,092
Corporate bonds	6,023,692
Corporate equities	2,002,687
Fixed income mutual funds	1,428,199
U.S. Treasury notes	4,446,870
Federal agencies	<u>1,446,167</u>
Total investments	<u>\$ 15,914,707</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, 2022, 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, 2022, the credit quality ratings, as rated by Moody's Investors Service, Inc. of the Town's remaining debt securities were as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>				
		<u>Aaa</u>	<u>Aa1 - Aa3</u>	<u>A1 - A3</u>	<u>Baa1 - B3</u>	<u>Unrated</u>
Market-linked certificates of deposits	\$ 567,092	\$ -	\$ -	\$ -	\$ -	\$ 567,092
Corporate bonds	6,023,692	314,646	48,513	2,915,689	2,744,844	-
Fixed income mutual funds	1,428,199	1,123,700	-	-	-	304,499
Federal agencies	<u>1,446,167</u>	<u>1,446,167</u>	-	-	-	-
Total	<u>\$ 9,465,150</u>	<u>\$ 2,884,513</u>	<u>\$ 48,513</u>	<u>\$ 2,915,689</u>	<u>\$ 2,744,844</u>	<u>\$ 871,591</u>

### *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributable to the magnitude of the Town's investment in a single issuer. The Town places no limit on the amount that may be 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, 2022, 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, 2022:

<u>Investment Type</u>	<u>Amount</u>	<u>Effective Duration</u> <u>Years</u>
Market-linked certificates of deposits	\$ 567,092	1.45
Corporate bonds	6,023,692	9.45
Fixed income mutual funds	1,428,199	2.50
U.S. Treasury notes	4,446,870	7.06
Federal agencies	<u>1,446,167</u>	8.32
Total	\$ <u>13,912,020</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, 2022, 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, 2022:

<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	\$ 567,092	\$ -	\$ 567,092
Corporate bonds	6,023,692	-	6,023,692
Corporate equities	2,002,687	2,002,687	-
Fixed income mutual funds	1,428,199	-	1,428,199
U.S. Treasury notes	4,446,870	4,446,870	-
Federal agencies	<u>1,446,167</u>	<u>-</u>	<u>1,446,167</u>
Total	<u>\$ 15,914,707</u>	<u>\$ 6,449,557</u>	<u>\$ 9,465,150</u>

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

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

#### **4. Investments – OPEB Trust Fund**

The OPEB Trust Fund's investments as of June 30, 2022 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, 2022, 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 2022 tax levy reflected an excess capacity of \$54,270.

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, 2022 consisted of the following:

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Current Portion	Long-Term Portion
Real estate taxes	\$ 747,189	\$ (101,481)	\$ 645,708	\$ -
Personal property taxes	169,404	(134,606)	34,798	-
Tax liens	639,867	(63,987)	-	575,880
Other	<u>53,281</u>	<u>(5,128)</u>	<u>48,153</u>	<u>-</u>
Total property taxes	\$ <u>1,609,741</u>	\$ <u>(305,202)</u>	\$ <u>728,659</u>	\$ <u>575,880</u>
Motor vehicle excise	\$ 843,979	\$ (365,931)	\$ 478,048	
Boat excise	<u>2,414</u>	<u>(2,414)</u>	<u>-</u>	
Total excises	\$ <u>846,393</u>	\$ <u>(368,345)</u>	\$ <u>478,048</u>	

## 6. User Fees Receivables

Receivables for user charges at June 30, 2022 consisted of the following:

<b>Governmental Funds</b>	Gross Amount	Allowance for Doubtful Accounts	Net Amount
Ambulance	\$ <u>2,264,685</u>	\$ <u>(1,115,840)</u>	\$ <u>1,148,845</u>
<b>Business-Type Funds</b>	Gross Amount	Allowance for Doubtful Accounts	Net Amount
Sewer	\$ 1,769,141	\$ (42,401)	\$ 1,726,740
Water	2,382,147	(57,861)	2,324,286
Solid Waste	<u>232,585</u>	<u>-</u>	<u>232,585</u>
Total	\$ <u>4,383,873</u>	\$ <u>(100,262)</u>	\$ <u>4,283,611</u>

## 7. Intergovernmental Receivables

This balance represents reimbursements requested from federal and state agencies for expenditures incurred in fiscal year 2022.

## 8. Capital Assets

Capital asset activity for the year ended June 30, 2022 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 252,783	\$ 167	\$ -	\$ 252,950
Machinery, equipment, and furnishings	17,686	2,149	(114)	19,721
Infrastructure	<u>90,190</u>	<u>-</u>	<u>-</u>	<u>90,190</u>
Total capital assets, being depreciated	360,659	2,316	(114)	362,861
Less accumulated depreciation for:				
Buildings and improvements	(88,769)	(6,865)	-	(95,634)
Machinery, equipment, and furnishings	(9,140)	(1,601)	114	(10,627)
Infrastructure	<u>(56,551)</u>	<u>(1,891)</u>	<u>-</u>	<u>(58,442)</u>
Total accumulated depreciation	<u>(154,460)</u>	<u>(10,357)</u>	<u>114</u>	<u>(164,703)</u>
Total capital assets, being depreciated, net	206,199	(8,041)	-	198,158
Capital assets, not being depreciated:				
Land	18,623	4,590	-	23,213
Works of art	96	-	-	96
Construction in progress	<u>-</u>	<u>49</u>	<u>-</u>	<u>49</u>
Total capital assets, not being depreciated	<u>18,719</u>	<u>4,639</u>	<u>-</u>	<u>23,358</u>
Governmental activities capital assets, net	<u>\$ 224,918</u>	<u>\$ (3,402)</u>	<u>\$ -</u>	<u>\$ 221,516</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 569	\$ 68	\$ -	\$ 637
Machinery, equipment, and furnishings	2,298	336	-	2,634
Infrastructure	<u>127,147</u>	<u>3,416</u>	<u>-</u>	<u>130,563</u>
Total capital assets, being depreciated	130,014	3,820	-	133,834
Less accumulated depreciation for:				
Buildings and improvements	(175)	(25)	-	(200)
Machinery, equipment, and furnishings	(1,485)	(99)	-	(1,584)
Infrastructure	<u>(59,605)</u>	<u>(2,489)</u>	<u>-</u>	<u>(62,094)</u>
Total accumulated depreciation	<u>(61,265)</u>	<u>(2,613)</u>	<u>-</u>	<u>(63,878)</u>
Total capital assets, being depreciated, net	68,749	1,207	-	69,956
Capital assets, not being depreciated:				
Land	4,136	-	-	4,136
Construction in progress	<u>2,235</u>	<u>1,972</u>	<u>(2,235)</u>	<u>1,972</u>
Total capital assets, not being depreciated	<u>6,371</u>	<u>1,972</u>	<u>(2,235)</u>	<u>6,108</u>
Business-type activities capital assets, net	<u>\$ 75,120</u>	<u>\$ 3,179</u>	<u>\$ (2,235)</u>	<u>\$ 76,064</u>



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

<b>Governmental Activities</b>	
General government	\$ 384,643
Public safety	1,061,505
Education	5,485,398
Public works	2,382,145
Health and human services	234,113
Culture and recreation	<u>809,577</u>
Total governmental activities	\$ <u>10,357,381</u>
<b>Business-Type Activities</b>	
Sewer	\$ 443,429
Water	<u>2,169,359</u>
Total business-type activities	\$ <u>2,612,788</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. Notes Payable

The following summarizes activity in notes payable during fiscal year 2022:

<u>Purpose</u>	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Water Mains	\$ <u>1,200,000</u>	\$ <u>-</u>	\$ <u>(1,200,000)</u>	\$ <u>-</u>
Total	\$ <u>1,200,000</u>	\$ <u>-</u>	\$ <u>(1,200,000)</u>	\$ <u>-</u>

## 12. Unearned Revenue

Unearned revenue represents grant funds received by the Town from the American Rescue Plan Act (ARPA). These funds will be used for COVID-19 related expenditures or negative economic impacts of COVID-19 over the next several years.

## 13. Long-Term Debt

### ***General Obligation Bonds and Loans***

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

<u>Governmental Activities</u>		Serial	Interest	Amount
<b>General Obligation Bonds</b>	<u>Original</u>	<u>Maturities</u>	<u>Rate(s) %</u>	<u>Outstanding</u>
	<u>Issue</u>	<u>Through</u>		<u>as of</u>
				<u>6/30/22</u>
Public offerings:				
General obligation refunding 2003	\$ 3,926,500	06/30/22	2.00 - 4.00%	\$ 370,000
General obligation refunding 2004	2,325,000	06/30/22	2.00 - 4.00%	262,000
Keller-Sullivan School	7,300,000	03/15/25	3.25 - 5.50%	1,079,001
General obligation refunding 2015	3,135,000	03/15/27	2.00 - 4.00%	1,165,000
General obligation refunding 2016	7,310,000	03/01/28	4.00%	4,565,000
High School construction	43,990,000	06/15/38	4.125 - 5.00%	34,700,000
General obligation library bond	9,150,000	05/15/39	3.00 - 5.00%	7,770,000
General obligation municipal purpose	2,443,500	05/15/43	2.50 - 5.00%	2,200,000
General obligation 2021 technology	1,206,000	05/01/41	2.00 - 5.00%	1,105,000
General obligation 2021 fire trucks	686,900	05/01/41	2.00 - 5.00%	630,000
General obligation 2022 land acquisition	2,965,000	05/15/42	3.25 - 5.00%	2,965,000
General obligation 2022 municipal building	1,320,000	05/15/32	3.25 - 5.00%	1,320,000
General obligation 2022 school drains	380,000	05/15/32	3.25 - 5.00%	380,000
Total Governmental Activities				<u>\$ 58,511,001</u>

**Business-Type Activities**

	Original Issue	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/22
<u>General Obligation Bonds</u>				
Public offerings:				
Water refunding 2004	\$ 2,325,000	06/30/22	2.00 - 4.00%	\$ 145,000
Sewer refunding 2004	2,325,000	06/30/22	2.00 - 4.00%	96,000
Water mains	3,000,000	03/15/25	4.26%	443,000
Water refunding 2015	1,857,000	03/15/27	2.00 - 4.00%	910,000
Sewer refunding 2015	1,928,000	03/15/27	2.00 - 4.00%	760,000
Water line replacement	5,000,000	06/15/28	4.00 - 5.00%	2,320,000
Water infrastructure improvements	4,541,500	05/15/33	2.50 - 5.00%	3,235,000
Water 2021 - Well Station 3	1,022,400	05/01/41	2.00 - 5.00%	990,000
Sewer 2021 - Beaver St	1,444,700	05/01/41	2.00 - 5.00%	1,395,000
Total public offerings				10,294,000
<u>Loans - Direct Borrowings</u>				
Water treatment facility DW-02-12	5,889,794	08/01/24	2.50 - 5.25%	1,116,154
MCWT DW-19-02	12,579,500	01/15/41	2.00%	11,950,525
Total loans - direct borrowings				13,066,679
Total Business-Type Activities				\$ <u>23,360,679</u>

**Future Debt Service**

The annual payments to retire all general obligation bonds and loans outstanding as of June 30, 2022 were as follows:

<b>Governmental</b>	<u>Bonds - Public Offerings</u>	
	<u>Principal</u>	<u>Interest</u>
<u>Year</u>		
2023	\$ 4,524,000	\$ 2,411,453
2024	4,222,000	2,216,071
2025	4,140,001	2,034,966
2026	3,855,000	1,889,591
2027	3,605,000	1,723,691
2028-2032	14,835,000	6,553,737
2033-2037	15,385,000	3,431,460
2038-2042	7,800,000	516,561
2043	145,000	5,256
Total	\$ <u>58,511,001</u>	\$ <u>20,782,786</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, 2022.

Business-Type Year	Bonds Payable		Loans - Direct Borrowings	
	Principal	Interest	Principal	Interest
2023	\$ 1,381,000	\$ 392,261	\$ 988,252	\$ 244,586
2024	1,388,000	332,426	1,002,623	226,431
2025	1,250,000	275,756	1,012,204	207,562
2026	1,110,000	225,331	628,975	201,272
2027	925,000	176,831	628,975	188,693
2028-2032	2,760,000	411,405	3,144,875	754,770
2033-2037	880,000	106,881	3,144,875	440,364
2038-2041	600,000	25,400	2,515,900	125,792
Total	<u>\$ 10,294,000</u>	<u>\$ 1,946,291</u>	<u>\$ 13,066,679</u>	<u>\$ 2,389,470</u>

### Changes in Long-Term Liabilities

During the year ended June 30, 2022, the following changes occurred in long-term liabilities (in thousands):

	Beginning Balance	Additions	Reductions	Total Balance 6/30/22	Less Current Portion	Equals Long-Term Portion 6/30/22
<b>Governmental Activities</b>						
Bonds payable:						
Public offerings	\$ 58,234	\$ 4,665	\$ (4,388)	\$ 58,511	\$ (4,524)	\$ 53,987
Unamortized premium	<u>1,131</u>	<u>175</u>	<u>(79)</u>	<u>1,227</u>	<u>(92)</u>	<u>1,135</u>
Subtotal	59,365	4,840	(4,467)	59,738	(4,616)	55,122
Compensated absences liability	1,661	-	(87)	1,574	(79)	1,495
Net pension liability	38,825	-	(10,404)	28,421	-	28,421
Net OPEB liability	<u>68,669</u>	<u>5,308</u>	<u>-</u>	<u>73,977</u>	<u>-</u>	<u>73,977</u>
Totals	<u>\$ 168,520</u>	<u>\$ 10,148</u>	<u>\$ (14,958)</u>	<u>\$ 163,710</u>	<u>\$ (4,695)</u>	<u>\$ 159,015</u>
<b>Business-Type Activities</b>						
Bonds payable:						
Public offerings	\$ 11,791	\$ -	\$ (1,497)	\$ 10,294	\$ (1,381)	\$ 8,913
Loans payable (direct borrowings)	<u>14,041</u>	<u>-</u>	<u>(974)</u>	<u>13,067</u>	<u>(988)</u>	<u>12,079</u>
Subtotal	25,832	-	(2,471)	23,361	(2,369)	20,992
Compensated absences liability	95	3	-	98	(5)	93
Net pension liability	551	-	(178)	373	-	373
Net OPEB liability	<u>974</u>	<u>-</u>	<u>(4)</u>	<u>970</u>	<u>-</u>	<u>970</u>
Totals	<u>\$ 27,452</u>	<u>\$ 3</u>	<u>\$ (2,653)</u>	<u>\$ 24,802</u>	<u>\$ (2,374)</u>	<u>\$ 22,428</u>

## 14. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of net assets by the Town that apply to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB, in accordance with GASB Statements No. 69 and 75, will be recognized as expense in future years and are more fully described in the corresponding pension and OPEB notes. *Unavailable revenues* are reported in the governmental funds Balance Sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

## 15. Governmental Funds – Fund Balances

The Town's fund balances at June 30, 2022 were comprised of the following:

	General Fund	Federal Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Permanent funds	\$ -	\$ -	\$ 508,930	\$ 508,930
Total Nonspendable	-	-	508,930	508,930
Restricted				
Special revenue funds:				
Extracurricular athletics	-	-	830,300	830,300
Transportation	-	-	1,330,251	1,330,251
Pre-kindergarten	-	-	1,163,399	1,163,399
Circuit breaker	-	-	3,073,927	3,073,927
Lifelong Learning	-	-	504,024	504,024
School lunch	-	-	892,315	892,315
Parking meter receipts	-	-	489,384	489,384
Town use of facilities	-	-	188,897	188,897
Wetlands protection	-	-	207,876	207,876
Ambulance receipts	-	-	281,341	281,341
40B Franklin heights infrastructure	-	-	164,000	164,000
Community preservation	-	-	1,377,084	1,377,084
Other	-	-	1,786,878	1,786,878
Capital projects funds	-	-	1,784,527	1,784,527
Permanent trust funds	-	-	1,626,427	1,626,427
Insurance reserves	1,436,082	-	-	1,436,082
Total Restricted	1,436,082	-	15,700,630	17,136,712
Committed				
Reserve for continuing resolutions	5,300,139	-	-	5,300,139
Capital improvement stabilization funds	3,554,135	-	-	3,554,135
MECC stabilization	887,694	-	-	887,694
Total Committed	9,741,968	-	-	9,741,968
Assigned				
General government	52,905	-	-	52,905
Public safety	27,335	-	-	27,335
Education	575,040	-	-	575,040
Public works	373,378	-	-	373,378
Health and human services	2,000	-	-	2,000
Culture and recreation	1,000	-	-	1,000
Insurance and benefits	4,725	-	-	4,725
Total Assigned	1,036,383	-	-	1,036,383
Unassigned				
General Fund	6,822,319	-	-	6,822,319
General stabilization fund	6,442,797	-	-	6,442,797
Budget stabilization fund	2,004,900	-	-	2,004,900
Federal grants fund	-	(318,275)	-	(318,275)
Total Unassigned	15,270,016	(318,275)	-	14,951,741
Total Fund Balance	\$ 27,484,449	\$ (318,275)	\$ 16,209,560	\$ 43,375,734

## 16. Restricted Net Position

The Town's restricted net position at June 30, 2022 was comprised of the following:

<u>Purpose</u>	<u>Governmental Activities</u>
Affordable housing trust	\$ 1,031,117
Sewer lift stations trust	542,247
Ray memorial library trust	145,754
Other trusts	416,240
Extracurricular athletics	830,300
Transportation	1,330,251
Pre-kindergarten	1,163,399
Circuit breaker	3,073,927
Lifelong Learning	504,024
School lunch	892,315
Parking meter receipts	489,384
Town use of facilities	188,897
Wetlands protection	207,876
Ambulance receipts	281,341
40B Franklin heights infrastructure	164,000
Community preservation	1,377,084
Other special revenue funds	<u>1,786,878</u>
Total	<u>\$ 14,425,034</u>

## 17. 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 2022 were as follows:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 96,021
Nonmajor Governmental Funds:		
Special revenue funds	104,900	-
Expendable trust funds	4,004	-
Proprietary Funds:		
Sewer Fund	-	1,716
Water Fund	-	<u>11,167</u>
Total	<u>\$ 108,904</u>	<u>\$ 108,904</u>

Of the transfer out of the General Fund, \$77,017 was transferred to the bond premiums special revenue fund.

## 18. 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%

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

### *Participant Retirement Benefits*

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

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest 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, 2022 was \$6,693,600 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, 2022, the Town reported a liability of \$28,793,166 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. At June 30, 2022, the Town’s proportion was 7.8127%, which was an increase of 0.1035% from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the Town recognized pension expense of \$2,764,756. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,912,401	\$ -
Net difference between projected and actual earnings on pension plan investments	1,995,738	12,649,274
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>803,036</u>	<u>-</u>
Total	<u>\$ 5,711,175</u>	<u>\$ 12,649,274</u>

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

<u>Year Ended June 30:</u>	
2023	\$ (112,494)
2024	(2,992,113)
2025	(1,878,431)
2026	<u>(1,955,061)</u>
Total	<u>\$ (6,938,099)</u>

***Actuarial Assumptions***

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

Valuation date	January 1, 2022
Inflation	3.00%
Projected salary increases	3.5% to 5.5%
Investment rate of return	7.75%
Cost of living increases	3% of the first \$18,000 of retirement
Remaining amortization period	Till fiscal 2029

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

### ***Target Allocations***

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	30.5%	7.0%
International equities	15.5%	7.7%
Fixed income	20.5%	4.3%
Real estate	9.5%	6.9%
Private equity	10.0%	9.4%
Hedge funds	11.5%	8.6%
Real assets	<u>2.5%</u>	8.9%
Total	<u>100.00%</u>	

### ***Discount Rate***

The discount rate used to measure the total pension liability as of December 31, 2021 was 7.75%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Under Chapter 32 of MGL, employers are required to make the necessary contributions such that the pension plan reaches full funding status by 2040. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Town’s proportionate share of the System’s net pension liability calculated using the discount rate of 7.75%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

1% Decrease <u>(6.75%)</u>	Current Discount Rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
\$ 47,920,738	\$ 28,793,166	\$ 20,475,102

***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.

**19. Massachusetts Teachers’ Retirement System (MTRS)**

***Plan Description***

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

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

***Benefits Provided***

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

group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

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

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

***Contributions***

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

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

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

***Actuarial Assumptions***

The net pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of January 1, 2021 rolled forward to June 30, 2021. This valuation used the following assumptions:

- (a) 7.00% (changed from 7.15%) investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality from 2012 - 2020.

- Mortality rates were as follows:
  - Pre-retirement - reflects Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
  - Post-retirement - reflects Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
  - Disability – assumed to be in accordance with Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).

***Target Allocations***

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	39.00%	4.80%
Core fixed income	15.00%	0.30%
Private equity	13.00%	7.80%
Portfolio completion strategies	11.00%	2.90%
Real estate	10.00%	3.70%
Value added fixed income	8.00%	3.90%
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):

1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
\$ 29,687,706	\$ 22,706,876	\$ 16,882,184

**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 2021 (the most recent measurement period), the Town’s proportionate share of the MTRS’ collective net pension liability was \$125,802,076 based on a proportionate share of 0.554026%. As required by GASB 68, the Town has recognized its portion of the Commonwealth of Massachusetts’s contribution of \$9,687,057 as both a revenue and expenditure on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and its portion of the collective pension expense of approximately \$10,095,093 as both a revenue and expense on the Statement of Activities.

**20. 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, 2022.

**General Information about the OPEB Plan**

*Plan Description*

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

*Benefits Provided*

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

*Funding Policy*

The Town’s funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute. Additional contributions are based on annual budget limitations/authorizations.

*Plan Membership*

At June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	661
Active employees	<u>1,121</u>
Total	<u><u>1,782</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, 2022, the annual money-weighted rate of return on investments, net of investment expense, was (4.78%). 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, 2021, 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 2021 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
Funding assumption	Starting in year 2032, the Town will utilize funds (approximately \$7 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, 2022 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, 2022, were as follows:

Total OPEB liability	\$ 85,452,216
Plan fiduciary net position	<u>10,505,734</u>
Net OPEB liability	<u>\$ 74,946,482</u>
Plan fiduciary net position as a percentage of the total OPEB liability	12.29%

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	\$ 79,448,221	\$ 9,805,609	\$ 69,642,612
Changes for the year:			
Service cost	2,834,817	-	2,834,817
Interest	6,064,612	-	6,064,612
Contributions - employer	-	3,871,679	(3,871,679)
Net investment income	-	(468,875)	468,875
Benefit payments	<u>(2,895,434)</u>	<u>(2,702,679)</u>	<u>(192,755)</u>
Net Changes	<u>6,003,995</u>	<u>700,125</u>	<u>5,303,870</u>
Balance, end of year	<u>\$ 85,452,216</u>	<u>\$ 10,505,734</u>	<u>\$ 74,946,482</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>
\$ 87,256,655	\$ 74,946,482	\$ 64,833,452

**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	1% <u>Increase</u>
\$ 61,743,688	\$ 74,946,482	\$ 91,446,892

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

For the year ended June 30, 2022, the Town recognized an OPEB expense of \$5,729,530. At June 30, 2022, 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	\$ -	\$ 7,290,544
Difference between projected and actual investments earnings	165,135	-
Change in assumptions	<u>-</u>	<u>838,046</u>
Total	<u>\$ 165,135</u>	<u>\$ 8,128,590</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>	
2023	\$ (2,413,841)
2024	(2,432,017)
2025	(1,806,604)
2026	(682,897)
2027	<u>(628,096)</u>
Total	\$ <u>(7,963,455)</u>

## 21. Commitments and Contingencies

### ***Outstanding Legal Issues***

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

### ***Grants***

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

### ***Encumbrances***

At year-end the Town's General Fund had \$1,036,383 in encumbrances that will be honored in the next fiscal year.

## 22. Subsequent Events

Management has evaluated subsequent events through March 30, 2023, which is the date the financial statements were available to be issued.

### ***Debt***

Subsequent to June 30, 2022, the Town incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
General obligation land acquisition	\$ <u>3,535,000</u>	4.00 - 5.00%	12/15/22	12/15/42

### **23. New Pronouncements**

The Governmental Accounting Standards Board (GASB) has issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (P3s and APAs), and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs), effective for the Town beginning with its fiscal year ending June 30, 2023. These statements establish new reporting and disclosure requirements for P3s, APAs, and SBITAs. Management is currently evaluating the impact of implementing these pronouncements.

**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, 2022  
 (Unaudited)

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
<b>Revenues</b>				
Property taxes	\$ 88,086,726	\$ 87,018,055	\$ 87,109,787	\$ 91,732
Motor vehicle excise	4,355,094	4,355,094	5,281,048	925,954
Other excise	551,964	551,964	1,184,179	632,215
Penalties, interest, and other taxes	325,109	325,109	330,066	4,957
Charges for services	2,495,740	2,495,740	3,510,196	1,014,456
Licenses and permits	1,330,930	1,330,930	1,435,383	104,453
Intergovernmental	32,271,998	32,271,998	32,976,714	704,716
Fines and forfeitures	47,867	47,867	60,673	12,806
Investment income	69,853	69,853	32,873	(36,980)
Miscellaneous	<u>600,000</u>	<u>600,000</u>	<u>591,523</u>	<u>(8,477)</u>
Total Revenues	130,135,281	129,066,610	132,512,442	3,445,832
<b>Expenditures</b>				
General government	10,686,645	10,831,915	10,770,126	61,789
Public safety	13,561,752	13,516,397	13,235,395	281,002
Education	70,401,071	71,080,659	70,986,960	93,699
Public works	5,426,385	5,891,138	5,658,960	232,178
Health and human services	844,289	836,951	774,567	62,384
Culture and recreation	1,691,467	1,692,662	1,513,114	179,548
Employee benefits	14,623,890	14,544,474	14,177,354	367,120
Debt service	6,824,890	6,788,069	6,787,769	300
Intergovernmental	6,074,892	6,074,892	6,170,776	(95,884)
Capital outlay	<u>-</u>	<u>7,452,076</u>	<u>7,452,076</u>	<u>-</u>
Total Expenditures	<u>130,135,281</u>	<u>138,709,233</u>	<u>137,527,097</u>	<u>1,182,136</u>
Excess (Deficiency) of Revenues over Expenditures	-	(9,642,623)	(5,014,655)	4,627,968
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	1,214,000	1,214,000	-
Transfers out	-	(1,597,000)	(1,689,017)	(92,017)
Use of free cash	-	4,470,514	-	(4,470,514)
Use of prior year assigned and committed fund balances (encumbrances and carryforwards)	<u>-</u>	<u>5,555,109</u>	<u>5,555,109</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>9,642,623</u>	<u>5,080,092</u>	<u>(4,562,531)</u>
Overall Budgetary Excess (Deficiency)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>65,437</u>	\$ <u>65,437</u>

See Independent Auditor's 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	\$ 141,894,339	\$ 139,689,105	\$ (96,021)
Add end-of-year appropriation carryforwards to expenditures	-	6,336,523	-
To record use of prior year assigned fund balance (encumbrances)	-	-	5,555,081
To reverse MTRS on behalf payment	(9,687,057)	(9,687,057)	-
Reclassification of indirect costs	-	1,214,000	1,214,000
Reverse effect of combining stabilization funds with General Fund per GASB 54	341,140	(13,548)	(1,581,070)
Other items	<u>(35,980)</u>	<u>(11,926)</u>	<u>(11,898)</u>
Budgetary Basis	<u>\$ 132,512,442</u>	<u>\$ 137,527,097</u>	<u>\$ 5,080,092</u>

See Independent Auditor's Report.

TOWN OF FRANKLIN, MASSACHUSETTS

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

(Unaudited)

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

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

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

See Independent Auditor's Report.



**TOWN OF FRANKLIN, MASSACHUSETTS**

Required Supplementary Information  
Schedule of Pension Contributions

(Unaudited)

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

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

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

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

See Independent Auditor's Report.

**TOWN OF FRANKLIN, MASSACHUSETTS**

Required Supplementary Information  
Schedule of Changes in Net OPEB Liability  
(Unaudited)

	2022	2021	2020	2019	2018	2017
<b>Total OPEB Liability</b>						
Service cost	\$ 2,834,817	\$ 2,572,656	\$ 2,461,872	\$ 2,355,858	\$ 2,749,555	\$ 2,631,153
Interest	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)	-	-
Benefit payments, including refunds of member contributions	<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	6,003,995	(358,703)	5,545,068	(4,175,156)	5,815,242	5,394,761
Total OPEB liability - beginning	<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)	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	3,871,679	3,491,175	3,407,236	3,346,111	3,113,747	3,219,829
Net investment income (loss)	(468,875)	2,115,284	110,265	280,311	383,452	521,740
Benefit payments, including refunds of member contributions	(2,702,679)	(2,588,101)	(2,437,236)	(2,408,121)	(2,311,621)	(2,387,829)
Other	-	-	-	-	(22,867)	-
Net change in plan fiduciary net position	700,125	3,018,358	1,080,265	1,218,301	1,162,711	1,353,740
Plan fiduciary net position - beginning	<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>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>\$ 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 Auditor's Report.

TOWN OF FRANKLIN, MASSACHUSETTS

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Schedule of Net OPEB Liability</b>						
Total OPEB liability	\$ 85,452,216	\$ 79,448,221	\$ 79,806,924	\$ 74,261,856	\$ 78,437,012	\$ 72,621,770
Plan fiduciary net position	<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>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	12.29%	12.34%	8.50%	7.68%	5.72%	4.58%
Covered employee payroll	\$ 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	106.51%	102.44%	112.74%	107.78%	116.26%	112.75%
<b>Schedule of Contributions</b>						
Actuarially determined contribution	\$ 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>3,871,679</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>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	\$ 70,365,340	\$ 67,985,836	\$ 64,766,856	\$ 63,608,230	\$ 63,608,230	\$ 61,457,227
Contributions as a percentage of covered employee payroll	5.50%	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	-4.78%	29.91%	2.38%	12.17%	6.11%	11.93%

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

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