



TOWN OF FRANKLIN, MASSACHUSETTS

Financial Statements
For the Year Ended June 30, 2021

(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

To the Town Council
Town of Franklin, Massachusetts

Report on the Financial Statements

We have audited the accompanying 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, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting

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policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the Town of Franklin, Massachusetts, as of June 30, 2021, 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.

Other Matters

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2022 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
April 1, 2022

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, 2021.

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 comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

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

The Statement of Activities presents information showing how the 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. All of the 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 a government'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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation 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 the government. 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 own 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 \$84,101,830 a change of \$2,084,922, and net position in business-type activities was \$60,722,234, a change of \$3,204,018.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$38,207,351, a change of \$4,150,703 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$14,330,669, a change of \$3,099,086 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 years.

	NET POSITION (in thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current assets	\$ 45,941	\$ 40,535	\$ 14,798	\$ 19,875	\$ 60,739	\$ 60,410
Noncurrent assets	<u>225,583</u>	<u>229,393</u>	<u>75,163</u>	<u>68,289</u>	<u>300,746</u>	<u>297,682</u>
Total assets	271,524	269,928	89,961	88,164	361,485	358,092
Deferred outflows of resources	6,744	5,814	96	92	6,840	5,906
Current liabilities	11,403	10,210	4,094	17,872	15,497	28,082
Noncurrent liabilities	<u>163,970</u>	<u>175,171</u>	<u>24,975</u>	<u>12,734</u>	<u>188,945</u>	<u>187,905</u>
Total liabilities	175,373	185,381	29,069	30,606	204,442	215,987
Deferred inflows of resources	18,794	8,344	266	132	19,060	8,476
Net investment in capital assets	167,583	168,217	50,497	49,339	218,080	217,556
Restricted	12,280	14,236	-	-	12,280	14,236
Unrestricted	<u>(95,762)</u>	<u>(100,436)</u>	<u>10,225</u>	<u>8,179</u>	<u>(85,537)</u>	<u>(92,257)</u>
Total net position	\$ <u>84,101</u>	\$ <u>82,017</u>	\$ <u>60,722</u>	\$ <u>57,518</u>	\$ <u>144,823</u>	\$ <u>139,535</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$144,824,064, a change of \$5,288,940 in comparison to the prior year.

The largest portion of net position \$218,079,879 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 \$12,280,143 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 \$(85,535,958) primarily resulting from unfunded pension and OPEB liabilities.

CHANGES IN NET POSITION (in thousands)

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues:						
Program revenues:						
Charges for services	\$ 7,009	\$ 7,227	\$ 16,257	\$ 15,103	\$ 23,266	\$ 22,330
Operating grants and contributions	59,196	53,882	-	-	59,196	53,882
General revenues:						
Property taxes	84,353	80,659	-	-	84,353	80,659
Excises	5,951	5,960	-	-	5,951	5,960
Penalties, interest, and other taxes	431	300	-	-	431	300
Grants and contributions not restricted to specific programs	4,892	5,582	-	-	4,892	5,582
Investment income	472	917	29	28	501	945
Miscellaneous	350	218	307	17	657	235
Betterment revenue	-	-	13	21	13	21
Total revenues	162,654	154,745	16,606	15,169	179,260	169,914

(continued)

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	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Expenses:						
General government	15,022	17,104	-	-	15,022	17,104
Public safety	16,972	15,588	-	-	16,972	15,588
Education	109,149	109,418	-	-	109,149	109,418
Public works	7,546	6,644	-	-	7,546	6,644
Human services	1,118	1,028	-	-	1,118	1,028
Culture and recreation	2,293	2,566	-	-	2,293	2,566
Interest on long-term debt	2,413	2,576	-	-	2,413	2,576
Intergovernmental	6,034	5,806	-	-	6,034	5,806
Sewer services	-	-	5,290	6,317	5,290	6,317
Water services	-	-	5,659	6,525	5,659	6,525
Sanitation	-	-	2,476	2,350	2,476	2,350
Total expenses	<u>160,547</u>	<u>160,730</u>	<u>13,425</u>	<u>15,192</u>	<u>173,972</u>	<u>175,922</u>
Change in net position before transfers	2,107	(5,985)	3,181	(23)	5,288	(6,008)
Transfers in (out)	<u>(23)</u>	<u>-</u>	<u>23</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	2,084	(5,985)	3,204	(23)	5,288	(6,008)
Net position - beginning of year, as restated	<u>82,017</u>	<u>88,002</u>	<u>57,518</u>	<u>57,541</u>	<u>139,535</u>	<u>145,543</u>
Net position - end 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>

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$2,084,922. Key elements of this change are as follows:

Depreciation expense in excess of principal debt service	\$ (5,421,215)
Change in pension expense from GASB 68	1,117,106
Change in OPEB expense from GASB 75	(1,728,121)
Capital improvements purchased with current year revenues	4,136,569
General fund budgetary surplus	3,260,743
Other	<u>719,840</u>
Total	<u>\$ 2,084,922</u>

Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$3,204,018. The Water fund's net position increased \$2,174,789 primarily due to user rates raised for capital outlay in the amount of \$2,103,000. The Sewer fund's net position increased \$784,193 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 a government'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 \$14,330,669, while total fund balance was \$25,375,236. 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>6/30/21</u>	<u>6/30/20</u>	<u>Change</u>	<u>% of General Fund Expenditures*</u>
Unassigned fund balance	\$ 14,330,669	\$ 11,231,583	\$ 3,099,086	11.4%
Total fund balance	\$ 25,375,236	\$ 22,201,265	\$ 3,173,971	20.2%

* Expenditure amounts used to calculate the above percentages have been adjusted to exclude the on-behalf payment from the Commonwealth to the Massachusetts Teachers Retirement System of \$8,781,592.

The total fund balance of the General Fund changed by \$3,173,971 during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 3,210,192
Expenditures and encumbrances less than budget	1,450,388
Use of free cash as a funding source	(2,754,668)
Increase to stabilization funds	1,743,569
Other	<u>(475,510)</u>
Total	\$ <u>3,173,971</u>

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

	<u>6/30/21</u>	<u>6/30/20</u>	<u>Change</u>
General stabilization	\$ 6,634,735	\$ 6,450,421	\$ 184,314
Budget stabilization	1,039,145	13,000	1,026,145
Open space acquisition stabilization	2,533,290	2,365,135	168,155
Athletic fields stabilization	636,309	459,173	177,136
Fire truck stabilization	16,855	312,475	(295,620)
Property acquisition / FAC maintenance stabilization	290,283	274,863	15,420
Traffic signal stabilization	4,649	4,649	-
Metacomet Emergency Communications Center (MECC)	<u>468,019</u>	<u>-</u>	<u>468,019</u>
Total	<u>\$ 11,623,285</u>	<u>\$ 9,879,716</u>	<u>\$ 1,743,569</u>

Federal Grants Fund

The Federal Grants fund balance changed by \$(436,532) primarily from timing differences between the receipt and disbursement of grants.

Nonmajor Governmental Funds

The nonmajor fund balance changed by \$1,413,264 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 \$10,225,542, a change of \$2,046,199 in comparison to the prior year, primarily due to user rates raised to cover capital costs of \$2,609,000.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$10,238,579 comprised primarily of \$6,086,392 of prior year encumbrances and article carryforwards and \$2,754,668 of various capital items fund by free cash and transfers.

Revenue surplus for the current year was \$3,210,191 compared to \$793,353 in the prior year. Primarily due to more favorable budgetary results from motor vehicle excise collections, charges for services, and license and permit revenue.

Capital Asset and Debt Administration

Capital Assets

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$300,037,698 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment, and infrastructure.

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

- \$7,271,962 for wastewater treatment plant.
- \$1,401,946 for water system improvements.
- \$1,107,818 for two new fire trucks.

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

Long-Term Debt

At the end of the current fiscal year, total bonds and loans outstanding, including unamortized premium, was \$85,197,074, all of which was backed by the full faith and credit of the Town.

During the fiscal year, the Town's Standard & Poor's credit rating remained unchanged at 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 the 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 breakout. Refer to page 23 for OPEB reserve established as a fiduciary trust fund.

Below is the breakout of other reserve accounts:

Affordable housing trust	\$ 1,030,573
Workers compensation fund	348,501
Unemployment compensation	358,320
Group insurance	702,032
Municipal insurance	63,097

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 government'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
355 East Central Street
Franklin, Massachusetts 02038

TOWN OF FRANKLIN, MASSACHUSETTS

Statement of Net Position
June 30, 2021

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and short-term investments	\$ 29,196,030	\$ 9,827,331	\$ 39,023,361
Investments	14,650,842	-	14,650,842
Receivables, net of allowance for uncollectibles:			
Property taxes	513,316	-	513,316
Excises	464,765	-	464,765
User fees	573,613	3,966,072	4,539,685
Intergovernmental	-	994,263	994,263
Betterments	1,172	10,770	11,942
Other assets	<u>541,151</u>	<u>-</u>	<u>541,151</u>
Total Current Assets	45,940,889	14,798,436	60,739,325
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	665,121	-	665,121
Betterments	371	43,521	43,892
Capital assets:			
Land and construction in progress	18,719,170	6,370,617	25,089,787
Other capital assets, net of accumulated depreciation	<u>206,198,852</u>	<u>68,749,059</u>	<u>274,947,911</u>
Total Noncurrent Assets	<u>225,583,514</u>	<u>75,163,197</u>	<u>300,746,711</u>
Total Assets	271,524,403	89,961,633	361,486,036
Deferred Outflows of Resources			
Related to pensions	<u>6,743,524</u>	<u>95,627</u>	<u>6,839,151</u>
Total Deferred Outflows of Resources	6,743,524	95,627	6,839,151

(continued)

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

TOWN OF FRANKLIN, MASSACHUSETTS

Statement of Net Position
June 30, 2021

(continued)

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Liabilities			
Current:			
Warrants and accounts payable	1,267,623	339,974	1,607,597
Accrued liabilities	2,365,925	78,347	2,444,272
Unearned revenue	2,089,404	-	2,089,404
Notes payable	-	1,200,000	1,200,000
Held for performance guarantees	919,111	-	919,111
Other current liabilities	210,801	-	210,801
Current portion of long-term liabilities:			
Bonds and loans payable	4,466,283	2,470,981	6,937,264
Compensated absences	<u>83,041</u>	<u>4,736</u>	<u>87,777</u>
Total Current Liabilities	11,402,188	4,094,038	15,496,226
Noncurrent:			
Bonds and loans payable, net of current portion	54,899,131	23,360,679	78,259,810
Net pension liability	38,824,538	550,554	39,375,092
Net OPEB liability	68,668,848	973,764	69,642,612
Compensated absences, net of current portion	<u>1,577,788</u>	<u>89,983</u>	<u>1,667,771</u>
Total Noncurrent Liabilities	<u>163,970,305</u>	<u>24,974,980</u>	<u>188,945,285</u>
Total Liabilities	175,372,493	29,069,018	204,441,511
Deferred Inflows of Resources			
Related to pensions	7,318,687	103,783	7,422,470
Related to OPEB	11,440,003	162,225	11,602,228
Taxes collected in advance	<u>34,914</u>	<u>-</u>	<u>34,914</u>
Total Deferred Inflows of Resources	<u>18,793,604</u>	<u>266,008</u>	<u>19,059,612</u>
Net Position			
Net investment in capital assets	167,583,187	50,496,692	218,079,879
Restricted for:			
Grants and other statutory restrictions	10,170,031	-	10,170,031
Permanent funds:			
Nonexpendable	508,930	-	508,930
Expendable	1,601,182	-	1,601,182
Unrestricted	<u>(95,761,500)</u>	<u>10,225,542</u>	<u>(85,535,958)</u>
Total Net Position	<u>\$ 84,101,830</u>	<u>\$ 60,722,234</u>	<u>\$ 144,824,064</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, 2021

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>Type</u> <u>Activities</u>	<u>Total</u>
Governmental Activities						
General government	\$ 15,022,014	\$ 806,178	\$ 3,836,979	\$ (10,378,857)	\$ -	\$ (10,378,857)
Public safety	16,972,278	3,886,772	333,654	(12,751,852)	-	(12,751,852)
Education	109,149,490	1,358,016	54,689,385	(53,102,089)	-	(53,102,089)
Public works	7,546,499	301,183	39,507	(7,205,809)	-	(7,205,809)
Health and human services	1,117,815	141,715	164,325	(811,775)	-	(811,775)
Culture and recreation	2,292,815	515,467	132,248	(1,645,100)	-	(1,645,100)
Interest on long-term debt	2,413,114	-	-	(2,413,114)	-	(2,413,114)
Intergovernmental	6,033,685	-	-	(6,033,685)	-	(6,033,685)
Total Governmental Activities	160,547,710	7,009,331	59,196,098	(94,342,281)	-	(94,342,281)
Business-Type Activities						
Sewer services	5,289,864	6,047,478	-	-	757,614	757,614
Water services	5,659,281	7,515,298	-	-	1,856,017	1,856,017
Solid waste services	2,476,214	2,694,585	-	-	218,371	218,371
Total Business-Type Activities	13,425,359	16,257,361	-	-	2,832,002	2,832,002
Total	\$ <u>173,973,069</u>	\$ <u>23,266,692</u>	\$ <u>59,196,098</u>	(94,342,281)	2,832,002	(91,510,279)
General Revenues						
Property taxes				84,353,373	-	84,353,373
Excises				5,950,852	-	5,950,852
Penalties, interest and other taxes				431,407	-	431,407
Grants and contributions not restricted to specific programs				4,892,473	-	4,892,473
Investment income				471,817	29,325	501,142
Miscellaneous				349,978	306,631	656,609
Betterment revenue				-	13,363	13,363
Transfers, net				(22,697)	22,697	-
Total general revenues				96,427,203	372,016	96,799,219
Change in Net Position				2,084,922	3,204,018	5,288,940
Net Position						
Beginning of year, as restated				82,016,908	57,518,216	139,535,124
End of year				\$ <u>84,101,830</u>	\$ <u>60,722,234</u>	\$ <u>144,824,064</u>

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

TOWN OF FRANKLIN, MASSACHUSETTS

Governmental Funds
Balance Sheet
June 30, 2021

	General <u>Fund</u>	Federal Grants <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Assets				
Cash and short-term investments	\$ 14,848,486	\$ 1,829,104	\$ 12,518,440	\$ 29,196,030
Investments	13,601,210	-	1,049,632	14,650,842
Receivables:				
Property taxes	1,459,410	-	-	1,459,410
Excises	856,439	-	-	856,439
User fees	1,689,453	-	-	1,689,453
Other assets	<u>541,151</u>	<u>-</u>	<u>-</u>	<u>541,151</u>
Total Assets	\$ <u>32,996,149</u>	\$ <u>1,829,104</u>	\$ <u>13,568,072</u>	\$ <u>48,393,325</u>
Liabilities				
Warrants and accounts payable	\$ 792,479	\$ 120,350	\$ 354,202	\$ 1,267,031
Accrued liabilities	1,658,306	593	-	1,658,899
Unearned revenue	-	2,089,404	-	2,089,404
Held for performance guarantees	919,111	-	-	919,111
Other liabilities	<u>210,801</u>	<u>-</u>	<u>512</u>	<u>211,313</u>
Total Liabilities	3,580,697	2,210,347	354,714	6,145,758
Deferred Inflows of Resources				
Unavailable revenues	4,005,302	-	-	4,005,302
Taxes collected in advance	<u>34,914</u>	<u>-</u>	<u>-</u>	<u>34,914</u>
Total Deferred Inflows of Resources	4,040,216	-	-	4,040,216
Fund Balances				
Nonspendable	-	-	508,930	508,930
Restricted	1,540,053	-	12,704,428	14,244,481
Committed	8,157,135	-	-	8,157,135
Assigned	1,347,379	-	-	1,347,379
Unassigned	<u>14,330,669</u>	<u>(381,243)</u>	<u>-</u>	<u>13,949,426</u>
Total Fund Balances	<u>25,375,236</u>	<u>(381,243)</u>	<u>13,213,358</u>	<u>38,207,351</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>32,996,149</u>	\$ <u>1,829,104</u>	\$ <u>13,568,072</u>	\$ <u>48,393,325</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, 2021

Total governmental fund balances	\$ 38,207,351
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	224,918,022
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	2,218,871
<ul style="list-style-type: none">• In the Statement of Activities, interest is accrued on outstanding long-term liabilities, whereas in governmental funds interest is not reported until due.	(707,619)
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, net pension liability, net OPEB liability are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable	(59,365,414)
Net pension liability and related deferred outflows and inflows of resources	(39,399,701)
Net OPEB liability and related deferred inflows of resources	(80,108,851)
Compensated absences	<u>(1,660,829)</u>
Net position of governmental activities	\$ <u>84,101,830</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, 2021

	General <u>Fund</u>	Federal Grants <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues				
Property taxes	\$ 84,296,225	\$ -	\$ -	\$ 84,296,225
Excises	5,949,423	-	-	5,949,423
Penalties, interest and other taxes	396,474	-	107	396,581
Charges for services	3,124,803	-	2,035,732	5,160,535
Licenses and permits	1,542,885	-	-	1,542,885
Intergovernmental	40,962,267	2,417,716	8,603,123	51,983,106
Fines and forfeitures	57,358	-	3,745	61,103
Contributions	-	-	403,983	403,983
Investment income (loss)	613,853	79	(142,114)	471,818
Miscellaneous	<u>352,974</u>	<u>-</u>	<u>646,150</u>	<u>999,124</u>
Total Revenues	137,296,262	2,417,795	11,550,726	151,264,783
Expenditures				
Current:				
General government	10,244,771	-	1,073,898	11,318,669
Public safety	12,267,590	103,965	749,782	13,121,337
Education	76,225,919	-	7,118,075	83,343,994
Public works	4,760,442	-	105,912	4,866,354
Health and human services	660,206	168	148,251	808,625
Culture and recreation	1,250,364	-	229,635	1,479,999
Insurance and benefits	12,362,368	-	-	12,362,368
Debt service:				
Principal	4,164,000	-	-	4,164,000
Interest	2,497,740	-	-	2,497,740
Intergovernmental	6,033,685	-	-	6,033,685
Capital outlay	<u>3,733,668</u>	<u>2,750,194</u>	<u>2,838,656</u>	<u>9,322,518</u>
Total Expenditures	<u>134,200,753</u>	<u>2,854,327</u>	<u>12,264,209</u>	<u>149,319,289</u>
Excess (deficiency) of revenues over expenditures	3,095,509	(436,532)	(713,483)	1,945,494
Other Financing Sources (Uses)				
Issuance of bonds	-	-	1,892,900	1,892,900
Bond premiums	-	-	335,006	335,006
Transfers in	416,159	-	315,000	731,159
Transfers out	<u>(337,697)</u>	<u>-</u>	<u>(416,159)</u>	<u>(753,856)</u>
Total Other Financing Sources (Uses)	<u>78,462</u>	<u>-</u>	<u>2,126,747</u>	<u>2,205,209</u>
Change in fund balance	3,173,971	(436,532)	1,413,264	4,150,703
Fund Balances, at Beginning of Year, as restated	<u>22,201,265</u>	<u>55,289</u>	<u>11,800,094</u>	<u>34,056,648</u>
Fund Balances, at End of Year	\$ <u><u>25,375,236</u></u>	\$ <u><u>(381,243)</u></u>	\$ <u><u>13,213,358</u></u>	\$ <u><u>38,207,351</u></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, 2021

Net changes in fund balances - total governmental funds	\$ 4,150,703
<ul style="list-style-type: none"> Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: 	
Capital outlay	5,781,551
Depreciation	(9,585,215)
<ul style="list-style-type: none"> 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: 	
Issuance of debt	(1,892,900)
Repayments of debt	4,164,000
Additions to bond premium	(335,006)
Amortization of bond premium	49,380
<ul style="list-style-type: none"> Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue. 	
	241,292
<ul style="list-style-type: none"> Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds: 	
Change in pension expense from GASB 68	1,117,106
Change in OPEB expense from GASB 75	(1,728,121)
Change in compensated absences	86,886
Change in accrued interest	35,246
Change in net position of governmental activities	\$ <u>2,084,922</u>

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

TOWN OF FRANKLIN, MASSACHUSETTS

Proprietary Funds
Statement of Net Position
June 30, 2021

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Nonmajor Solid Waste Fund	Total
Assets				
Current:				
Cash and short-term investments	\$ 4,358,253	\$ 4,722,533	\$ 746,545	\$ 9,827,331
Receivables, net of allowance for uncollectibles:				
User fees	1,630,369	2,100,937	234,766	3,966,072
Betterments	10,770	-	-	10,770
Intergovernmental receivables	-	994,263	-	994,263
Total Current Assets	5,999,392	7,817,733	981,311	14,798,436
Noncurrent:				
Receivables, net of allowance for uncollectibles:				
Betterments	43,521	-	-	43,521
Capital assets:				
Land and construction in progress	466,751	5,856,935	46,931	6,370,617
Other capital assets, net of accumulated depreciation	10,295,996	58,453,063	-	68,749,059
Total Noncurrent Assets	10,806,268	64,309,998	46,931	75,163,197
Total Assets	16,805,660	72,127,731	1,028,242	89,961,633
Deferred Outflows of Resources				
Related to pensions	35,478	60,149	-	95,627
Total Deferred Outflows of Resources	35,478	60,149	-	95,627
Liabilities				
Current:				
Warrants and accounts payable	10,244	147,113	182,617	339,974
Accrued liabilities	25,684	49,506	3,157	78,347
Notes payable	-	1,200,000	-	1,200,000
Current portion of long-term liabilities:				
Bonds and loans payable	321,700	2,149,281	-	2,470,981
Compensated absences	1,757	2,561	418	4,736
Total Current Liabilities	359,385	3,548,461	186,192	4,094,038
Noncurrent:				
Bonds and loans payable, net of current portion	2,251,000	21,109,679	-	23,360,679
Net pension liability	204,257	346,297	-	550,554
Net OPEB liability	361,270	612,494	-	973,764
Compensated absences, net of current portion	33,380	48,662	7,941	89,983
Total Noncurrent Liabilities	2,849,907	22,117,132	7,941	24,974,980
Total Liabilities	3,209,292	25,665,593	194,133	29,069,018
Deferred Inflows of Resources				
Related to pensions	38,504	65,279	-	103,783
Related to OPEB	60,186	102,039	-	162,225
Total Deferred Inflows of Resources	98,690	167,318	-	266,008
Net Position				
Net investment in capital assets	9,604,460	40,845,301	46,931	50,496,692
Unrestricted	3,928,696	5,509,668	787,178	10,225,542
Total Net Position	\$ 13,533,156	\$ 46,354,969	\$ 834,109	\$ 60,722,234

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

TOWN OF FRANKLIN, MASSACHUSETTS

Proprietary Funds
Statement Of Revenues, Expenses And Changes In Fund Net Position
For the Year Ended June 30, 2021

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Nonmajor Solid Waste Fund	Total
Operating Revenues				
Charges for services	\$ 6,047,478	\$ 7,515,298	\$ 2,694,585	\$ 16,257,361
Operating Expenses				
Salaries and benefits	1,094,852	1,623,623	184,532	2,903,007
Other operating expenses	495,658	1,794,664	2,291,682	4,582,004
Depreciation	443,843	1,869,440	-	2,313,283
Intergovernmental assessments	<u>3,216,858</u>	<u>-</u>	<u>-</u>	<u>3,216,858</u>
Total Operating Expenses	<u>5,251,211</u>	<u>5,287,727</u>	<u>2,476,214</u>	<u>13,015,152</u>
Operating Income	796,267	2,227,571	218,371	3,242,209
Nonoperating Revenues (Expenses)				
Investment income	11,500	15,375	2,450	29,325
Miscellaneous revenues	1,716	280,700	24,215	306,631
Interest expense	<u>(38,653)</u>	<u>(371,554)</u>	<u>-</u>	<u>(410,207)</u>
Total Nonoperating Revenues (Expenses)	<u>(25,437)</u>	<u>(75,479)</u>	<u>26,665</u>	<u>(74,251)</u>
Income Before Contributions and Transfers	770,830	2,152,092	245,036	3,167,958
Contributions	13,363	-	-	13,363
Transfers in	<u>-</u>	<u>22,697</u>	<u>-</u>	<u>22,697</u>
Change in Net Position	784,193	2,174,789	245,036	3,204,018
Net Position at Beginning of Year	<u>12,748,963</u>	<u>44,180,180</u>	<u>589,073</u>	<u>57,518,216</u>
Net Position at End of Year	<u>\$ 13,533,156</u>	<u>\$ 46,354,969</u>	<u>\$ 834,109</u>	<u>\$ 60,722,234</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, 2021

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Nonmajor Solid Waste Fund	Total
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 6,275,175	\$ 7,515,511	\$ 2,692,626	\$ 16,483,312
Payments to vendors	(3,751,650)	(2,307,055)	(2,569,441)	(8,628,146)
Payments to employees	(1,145,286)	(1,780,778)	(180,977)	(3,107,041)
Net Cash Provided By/(Used For) Operating Activities	1,378,239	3,427,678	(57,792)	4,748,125
Cash Flows From Noncapital Financing Activities				
Miscellaneous revenues	1,716	303,397	24,215	329,328
Net Cash Provided By Noncapital Financing Activities	1,716	303,397	24,215	329,328
Cash Flows From Capital and Related Financing Activities				
Acquisition and construction of capital assets	(42,309)	(9,254,210)	-	(9,296,519)
Principal payments on bonds and loans	(277,000)	(2,394,325)	-	(2,671,325)
Proceeds of notes	1,444,700	1,022,400	-	2,467,100
Interest expense	(35,260)	(435,408)	-	(470,668)
Massachusetts Clean Water Trust drawdowns	-	7,335,135	-	7,335,135
Other non-operating income	14,071	-	-	14,071
Net Cash Provided By/(Used For) Capital and Related Financing Activities	1,104,202	(3,726,408)	-	(2,622,206)
Cash Flows From Investing Activities				
Investment income	11,500	15,375	2,450	29,325
Net Change in Cash and Short-Term Investments	2,495,657	20,042	(31,127)	2,484,572
Cash and Short-Term Investments, Beginning of Year	1,862,596	4,702,491	777,672	7,342,759
Cash and Short-Term Investments, End of Year	\$ 4,358,253	\$ 4,722,533	\$ 746,545	\$ 9,827,331
Reconciliation of Operating Income to Net Cash Provided by/(Used For) Operating Activities				
Operating income	\$ 796,267	\$ 2,227,571	\$ 218,371	\$ 3,242,209
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	443,843	1,869,440	-	2,313,283
Changes in assets, liabilities, and deferred outflows/inflows:				
User fees receivable	227,697	214	(1,959)	225,952
Deferred outflows - related to pensions	(3,483)	(3,088)	-	(6,571)
Deferred outflows - related to OPEB	1,116	1,990	-	3,106
Warrants and accounts payable	(39,135)	(512,392)	(277,759)	(829,286)
Net pension liability	(49,081)	(105,519)	-	(154,600)
Net OPEB liability	(48,055)	(117,518)	-	(165,573)
Deferred inflows - related to pensions	29,123	48,548	-	77,671
Deferred inflows - related to OPEB	22,053	34,031	-	56,084
Other liabilities	(2,106)	(15,599)	3,555	(14,150)
Net Cash Provided By/(Used For) Operating Activities	\$ 1,378,239	\$ 3,427,678	\$ (57,792)	\$ 4,748,125

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

TOWN OF FRANKLIN, MASSACHUSETTS

Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2021

	Other Post Employment Benefits Trust <u>Fund</u>	Private Purpose Trust <u>Funds</u>	Custodial <u>Funds</u>
Assets			
Cash and short-term investments	\$ -	\$ 85,621	\$ 393,020
Investments:			
External investment pool	<u>9,805,609</u>	<u>-</u>	<u>-</u>
Total Investments	9,805,609	-	-
Total Assets	9,805,609	85,621	393,020
Net Position			
Restricted for OPEB purposes	9,805,609	-	-
Restricted for individuals, organizations and other governments	<u>-</u>	<u>85,621</u>	<u>393,020</u>
Total Net Position	\$ <u><u>9,805,609</u></u>	\$ <u><u>85,621</u></u>	\$ <u><u>393,020</u></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, 2021

	Other Post Employment Benefits Trust <u>Fund</u>	Private Purpose Trust Funds	Custodial Funds
Additions			
Contributions:			
Employers	\$ 3,533,101	\$ -	\$ -
Other	<u>-</u>	<u>40,350</u>	<u>183,651</u>
Total contributions	3,533,101	40,350	183,651
Investment income:			
Interest	-	4,471	105
Increase in fair value of investments	<u>2,073,358</u>	<u>-</u>	<u>-</u>
Net investment income	<u>2,073,358</u>	<u>4,471</u>	<u>105</u>
Total additions	5,606,459	44,821	183,756
Deductions			
Benefit payments to plan members beneficiaries and other systems	2,588,101	-	-
Scholarship payments	-	62,500	-
Intergovernmental payments	-	-	51,888
Student activity fund payments	<u>-</u>	<u>-</u>	<u>139,922</u>
Total deductions	<u>2,588,101</u>	<u>62,500</u>	<u>191,810</u>
Net change	3,018,358	(17,679)	(8,054)
Net position restricted for OPEB and other purposes			
Beginning of year, as restated	<u>6,787,251</u>	<u>103,300</u>	<u>401,074</u>
End of year	\$ <u><u>9,805,609</u></u>	\$ <u><u>85,621</u></u>	\$ <u><u>393,020</u></u>

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

TOWN OF FRANKLIN, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Franklin (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

Reporting Entity

The Town is a municipal corporation governed by an elected Town Council. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2021, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

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 is 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 by the government. 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 government'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 revenue 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 the enterprise fund 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 and life insurance benefits for retired employees.
- The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, 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 combined 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 cash equivalents.

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 the net asset value (NAV). The NAV per share is the amount of net assets attributable to each share of capital stock outstanding at the close of the period. Investments measured at the 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. The actual fiscal year 2021 tax levy reflected an excess capacity of \$15,978.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. 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
Vehicles and office equipment	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 the current assets/deferred outflows and current liabilities/deferred inflows. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

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 their use either through the 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 generally accepted accounting principles 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 the 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 the 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 the 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 OPEB Trust Fund)

State statutes (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, 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 have 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 consists of such obligations. Other allowable investments include certificates of deposits having a maturity date of up to 3 years from the date of purchase, national banks and Massachusetts Municipal Depository Trust (MMDT). MMDT, which is an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts, meets the criteria established by GASB 79, Certain External Investment Pools and Pool Participants, to report its investments at amortized cost, which approximates the net asset value of 1.00 per share. MMDT has an average maturity of less than 1 year and is not rated or subject to custodial credit risk disclosure. MGL Chapter 44, Section 54 provides additional investment options for certain special revenue, trust and OPEB funds.

Custodial Credit Risk - Deposits

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, 2021, none of the Town's bank balance of \$43,886,861 was exposed to custodial credit risk as uninsured and uncollateralized. Additionally, \$385,581 was on deposit with the Massachusetts Municipal Depository Trust, which is the state investment pool as authorized by Massachusetts General Law, Chapter 29, section 38A.

Investment Summary

The following is a summary of the Town's investments as of June 30, 2021:

<u>Investment Type</u>	<u>Amount</u>
Market-linked certificates of deposits	\$ 590,406
Corporate bonds	6,197,884
Municipal bonds	25,350
Corporate equities	1,889,574
Fixed income mutual funds	512,462
Equity income mutual funds	694,108
U.S. Treasury notes	2,755,879
Federal agencies	<u>1,985,179</u>
Total investments	<u>\$ 14,650,842</u>

Custodial Credit Risk – Investments

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, 2021, 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 of 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 Law, Chapter 44, Section 55, limits 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, 2021, the credit quality ratings, as rated by Moody's Investors Service, Inc. of the Town's remaining debt securities are 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	\$ 590,406	\$ -	\$ -	\$ -	\$ -	\$ 590,406
Corporate bonds	6,197,884	-	35,555	2,680,017	3,482,312	-
Municipal bonds	25,350	-	25,350	-	-	-
Fixed income mutual funds	512,462	-	-	-	-	512,462
Federal agencies	<u>1,985,179</u>	<u>1,985,179</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 9,311,281</u>	<u>\$ 1,985,179</u>	<u>\$ 60,905</u>	<u>\$ 2,680,017</u>	<u>\$ 3,482,312</u>	<u>\$ 1,102,868</u>

Concentration of Credit Risk - Investments

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 the Town may invest 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, 2021, the Town does not have investments in any one issuer that exceeded 5% of total investments.

Interest Rate Risk – Investments of 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 is as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Effective Duration Years</u>
Market-linked certificates of deposits	\$ 590,406	2.28
Corporate bonds	6,197,884	3.05
Municipal bonds	25,350	20.29
Fixed income mutual funds	512,462	2.50
U.S. Treasury notes	2,755,879	1.39
Federal agencies	<u>1,985,179</u>	3.58
Total	<u>\$ 12,067,160</u>	

Foreign Currency Risk – Investments

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.

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 the asset 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 the fund has the ability to access 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 has the following fair value measurements as of June 30, 2021:

		Fair Value Measurements Using:	
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)
<u>Investment Type</u>	<u>Amount</u>		
Investments by fair value level:			
Market-linked certificates of deposits	\$ 590,406	\$ -	\$ 590,406
Corporate bonds	6,197,884	-	6,197,884
Municipal bonds	25,350	-	25,350
Corporate equities	1,889,574	1,889,574	-
Fixed income mutual funds	512,462	-	512,462
Equity mutual funds	694,108	694,108	-
U.S. Treasury and agencies	2,755,879	2,755,879	-
U.S. Treasury and agencies	<u>1,985,179</u>	<u>-</u>	<u>1,985,179</u>
Total	\$ 14,650,842	\$ 5,339,561	\$ 9,311,281

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 securities relationship to benchmark quote prices. Level 2 debt securities have non-proprietary information that was 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, 2021 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 of capital stock outstanding at the close of the period. The OPEB Trust's investment in SRBT is measured at NAV and is not subject to fair value levels classification. There were no unfunded commitments at June 30, 2021 and the redemption frequency is monthly with the 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.

Motor vehicle excise taxes are assessed annually for every motor vehicle and trailer registered in the Commonwealth. 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, 2021 consist of the following:

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Current Portion	Long-Term Portion
Real estate taxes	\$ 528,823	\$ (74,936)	\$ 453,887	\$ -
Personal property taxes	151,757	(128,376)	23,381	-
Tax liens	739,023	(73,902)	-	665,121
Other	39,807	(3,759)	36,048	-
Total property taxes	<u>\$ 1,459,410</u>	<u>\$ (280,973)</u>	<u>\$ 513,316</u>	<u>\$ 665,121</u>
Motor vehicle excise	\$ 854,025	\$ (389,260)	\$ 464,765	
Boat excise	2,414	(2,414)	-	
Total excises	<u>\$ 856,439</u>	<u>\$ (391,674)</u>	<u>\$ 464,765</u>	

6. User Fee Receivables

Receivables for user charges at June 30, 2021 consist of the following:

<u>Governmental Funds</u>	Gross Amount	Allowance for Doubtful Accounts	Net Amount
Ambulance	<u>\$ 1,689,453</u>	<u>\$ (1,115,840)</u>	<u>\$ 573,613</u>
<u>Business-Type Funds</u>	Gross Amount	Allowance for Doubtful Accounts	Net Amount
Sewer	\$ 1,680,128	\$ (49,759)	\$ 1,630,369
Water	2,157,510	(56,572)	2,100,938
Solid Waste	234,765	-	234,765
Total	<u>\$ 4,072,403</u>	<u>\$ (106,331)</u>	<u>\$ 3,966,072</u>

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2021.

8. 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. The following is an analysis of interfund transfers:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 416,159	\$ 337,697
Nonmajor Funds:		
Special revenue funds	15,000	322,482
Capital project funds	300,000	-
Expendable trust funds	-	93,677
Proprietary Funds:		
Water fund	<u>22,697</u>	<u>-</u>
Total	\$ <u>753,856</u>	\$ <u>753,856</u>

Of the transfer into the general fund, \$294,139 was transferred from the special revenue insurance recovery revolving fund, \$28,343 was transferred from the special revenue receipts reserved for appropriation ambulance fund, and \$93,677 was transferred from the Fletcher improvements expendable trust fund. Of the transfer out of the general fund, \$300,000 was transferred to the fire pumper trucks capital projects fund.

9. Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 252,221	\$ 562	\$ -	\$ 252,783
Machinery, equipment, and furnishings	13,323	4,786	(423)	17,686
Infrastructure	<u>89,098</u>	<u>1,092</u>	<u>-</u>	<u>90,190</u>
Total capital assets, being depreciated	354,642	6,440	(423)	360,659
Less accumulated depreciation for:				
Buildings and improvements	(81,924)	(6,845)	-	(88,769)
Machinery, equipment, and furnishings	(8,699)	(864)	423	(9,140)
Infrastructure	<u>(54,675)</u>	<u>(1,876)</u>	<u>-</u>	<u>(56,551)</u>
Total accumulated depreciation	<u>(145,298)</u>	<u>(9,585)</u>	<u>423</u>	<u>(154,460)</u>
Total capital assets, being depreciated, net	209,344	(3,145)	-	206,199
Capital assets, not being depreciated:				
Land	18,623	-	-	18,623
Works of art	96	-	-	96
Construction in progress	<u>659</u>	<u>-</u>	<u>(659)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>19,378</u>	<u>-</u>	<u>(659)</u>	<u>18,719</u>
Governmental activities capital assets, net	<u>\$ 228,722</u>	<u>\$ (3,145)</u>	<u>\$ (659)</u>	<u>\$ 224,918</u>
Business-Type Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 469	\$ 100	\$ -	\$ 569
Machinery, equipment, and furnishings	2,313	-	(15)	2,298
Infrastructure	<u>114,622</u>	<u>12,525</u>	<u>-</u>	<u>127,147</u>
Total capital assets, being depreciated	117,404	12,625	(15)	130,014
Less accumulated depreciation for:				
Buildings and improvements	(155)	(20)	-	(175)
Machinery, equipment, and furnishings	(1,385)	(115)	15	(1,485)
Infrastructure	<u>(57,426)</u>	<u>(2,179)</u>	<u>-</u>	<u>(59,605)</u>
Total accumulated depreciation	<u>(58,966)</u>	<u>(2,314)</u>	<u>15</u>	<u>(61,265)</u>
Total capital assets, being depreciated, net	58,438	10,311	-	68,749
Capital assets, not being depreciated:				
Land	4,136	-	-	4,136
Construction in progress	<u>5,671</u>	<u>1,402</u>	<u>(4,838)</u>	<u>2,235</u>
Total capital assets, not being depreciated	<u>9,807</u>	<u>1,402</u>	<u>(4,838)</u>	<u>6,371</u>
Business-type activities capital assets, net	<u>\$ 68,245</u>	<u>\$ 11,713</u>	<u>\$ (4,838)</u>	<u>\$ 75,120</u>

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

Governmental Activities	
General government	\$ 145,523
Public safety	887,579
Education	5,185,482
Public works	2,338,314
Health and human services	233,546
Culture and recreation	<u>794,771</u>
Total governmental activities	\$ <u>9,585,215</u>
Business-Type Activities	
Sewer	\$ 443,843
Water	<u>1,869,440</u>
Total business-type activities	\$ <u>2,313,283</u>

10. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position 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 pensions and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

11. Accrued Liabilities

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

12. Notes Payable

The Town had a bond anticipation note outstanding at June 30, 2021 for water mains issued on May 13, 2021 at 1.1% interest maturing May 13, 2022.

The following summarizes activity in notes payable during fiscal year 2021:

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Reissued</u>	<u>Balance End of Year</u>
Water treatment plant design	\$ 758,000	\$ -	\$ (758,000)	\$ -
Well 3A	342,000	-	(342,000)	-
Water Mains	1,000,000	1,200,000	(1,000,000)	1,200,000
MCWT - DW-19-02 - Direct Borrowing	<u>12,579,500</u>	<u>-</u>	<u>(12,579,500)</u>	<u>-</u>
Total	<u>\$ 14,679,500</u>	<u>\$ 1,200,000</u>	<u>\$ (14,679,500)</u>	<u>\$ 1,200,000</u>

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 have been issued for both governmental and business-type activities. General obligation bonds and direct borrowings currently outstanding are as follows:

<u>Governmental Activities</u>	<u>Original Issue</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/21</u>
<u>General Obligation Bonds</u>				
Public offerings:				
School building repairs	\$ 2,000,000	06/30/22	2.00 - 4.00%	\$ 200,000
General obligation refunding 2002	1,673,500	06/30/22	2.00 - 4.00%	30,000
General obligation refunding 2003	3,926,500	06/30/22	2.00 - 4.00%	746,000
General obligation refunding 2004	2,325,000	06/30/22	2.00 - 4.00%	397,000
Keller-Sullivan School	7,300,000	03/15/25	3.25 - 5.50%	1,448,001
General obligation refunding 2015	3,135,000	03/15/27	2.00 - 4.00%	1,490,000
General obligation refunding 2016	7,310,000	03/01/28	4.00%	5,480,000
High School construction	43,990,000	06/15/38	4.125 - 5.00%	36,055,000
General obligation library bond	9,150,000	05/15/39	3.00 - 5.00%	8,230,000
General obligation municipal purpose	2,443,500	05/15/43	2.50 - 5.00%	2,265,000
General obligation 2021 technology	1,206,000	05/01/41	2.00 - 5.00%	1,206,000
General obligation 2021 fire trucks	686,900	05/01/41	2.00 - 5.00%	<u>686,900</u>
Total Governmental Activities				<u>\$ 58,233,901</u>

<u>Business-Type Activities</u>				Amount Outstanding as of 6/30/21
<u>General Obligation Bonds</u>	<u>Original Issue</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	
Public offerings:				
Water refunding 2002	\$ 1,673,500	06/30/23	2.00 - 4.00%	\$ 80,000
Sewer refunding 2002	1,673,500	06/30/23	2.00 - 4.00%	34,000
Water refunding 2004	2,325,000	06/30/22	2.00 - 4.00%	218,000
Sewer refunding 2004	2,325,000	06/30/22	2.00 - 4.00%	144,000
Water mains	3,000,000	03/15/25	4.26%	593,000
Water refunding 2015	1,857,000	03/15/27	2.00 - 4.00%	1,100,000
Sewer refunding 2015	1,928,000	03/15/27	2.00 - 4.00%	950,000
Water line replacement	5,000,000	06/15/28	4.00 - 5.00%	2,655,000
Water infrastructure improvements	4,541,500	05/15/33	2.50 - 5.00%	3,550,000
Water 2021 - Well Station 3	1,022,400	05/01/41	2.00 - 5.00%	1,022,400
Sewer 2021 - Beaver St	1,444,700	05/01/41	2.00 - 5.00%	<u>1,444,700</u>
Total public offerings				11,791,100
<u>Loans - Direct Borrowings</u>				
Water treatment facility DW-02-12	5,889,794	08/01/24	2.50 - 5.25%	1,461,060
MCWT DW-19-02	12,579,500	01/15/41	2.00%	<u>12,579,500</u>
Total loans - direct borrowings				<u>14,040,560</u>
Total Business-Type Activities				<u>\$ 25,831,660</u>

Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2021 are as follows:

	<u>Bonds - Public Offerings</u>	
<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 4,387,900	\$ 2,399,869
2023	4,199,000	2,212,921
2024	3,897,000	2,027,531
2025	3,815,001	1,862,675
2026	3,530,000	1,733,550
2027-2031	13,910,000	6,680,209
2032-2036	14,125,000	3,806,263
2037-2041	10,085,000	813,475
2042-2043	<u>285,000</u>	<u>15,587</u>
Total	<u>\$ 58,233,901</u>	<u>\$ 21,552,080</u>

The general funds have been designated as the sources to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2021.

<u>Business-Type</u>	<u>Bonds Payable</u>		<u>Loans - Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 1,497,100	\$ 447,892	\$ 973,881	\$ 181,578
2023	1,381,000	392,261	988,252	244,586
2024	1,388,000	332,426	1,002,625	226,431
2025	1,250,000	275,756	1,012,202	207,562
2026	1,110,000	225,331	628,975	201,272
2027-2031	3,305,000	546,455	3,144,875	817,668
2032-2036	1,115,000	134,962	3,144,875	503,181
2037-2041	745,000	45,300	3,144,875	188,770
Total	<u>\$ 11,791,100</u>	<u>\$ 2,400,383</u>	<u>\$ 14,040,560</u>	<u>\$ 2,571,048</u>

Changes in General Long-Term Liabilities

During the year ended June 30, 2021, the following changes occurred in long-term liabilities (in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Balance 6/30/21</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion 6/30/21</u>
Governmental Activities						
Bonds payable:						
Public offerings	\$ 60,505	\$ 1,893	\$ (4,164)	\$ 58,234	\$ (4,388)	\$ 53,846
Unamortized premium	846	335	(50)	1,131	(78)	1,053
Subtotal	61,351	2,228	(4,214)	59,365	(4,466)	54,899
Net pension liability	44,488	-	(5,663)	38,825	-	38,825
Net OPEB liability	71,880	-	(3,211)	68,669	-	68,669
Compensated absences	1,747	19	(105)	1,661	(83)	1,578
Totals	<u>\$ 179,466</u>	<u>\$ 2,247</u>	<u>\$ (13,193)</u>	<u>\$ 168,520</u>	<u>\$ (4,549)</u>	<u>\$ 163,971</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Balance 6/30/21</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion 6/30/21</u>
Business-Type Activities						
Bonds payable:						
Public offerings	\$ 10,760	\$ 2,467	\$ (1,436)	\$ 11,791	\$ (1,497)	\$ 10,294
Loans payable (direct borrowings)	1,796	12,580	(335)	14,041	(974)	13,067
Subtotal	12,556	15,047	(1,771)	25,832	(2,471)	23,361
Net pension liability	705	-	(154)	551	-	551
Net OPEB liability	1,139	-	(165)	974	-	974
Compensated absences	109	3	(17)	95	(5)	90
Totals	<u>\$ 14,509</u>	<u>\$ 15,050</u>	<u>\$ (2,107)</u>	<u>\$ 27,452</u>	<u>\$ (2,476)</u>	<u>\$ 24,976</u>

14. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and is 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 - Balances

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

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.

The following types of fund balances are reported at June 30, 2021:

Nonspendable

Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) 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 and general stabilization/capital reserve fund and deficit funds.

Following is a breakdown of the Town's fund balances at June 30, 2021:

	General <u>Fund</u>	Federal Grants <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 508,930	\$ 508,930
Total Nonexpendable	-	-	508,930	508,930
Restricted				
Reserve for excluded debt	68,100	-	-	68,100
Special revenue funds:				
Extra curricular athletics	-	-	740,047	740,047
Transportation	-	-	999,352	999,352
Pre-kindergarten	-	-	917,850	917,850
Circuit breaker	-	-	2,768,770	2,768,770
Sale of real estate receipts reserved	-	-	1,559,848	1,559,848
Parking meter receipts	-	-	484,074	484,074
Town use of facilities	-	-	241,455	241,455
Wetlands protection	-	-	201,328	201,328
Ambulance receipts	-	-	156,341	156,341
40B Franklin heights infrastructure	-	-	164,000	164,000
Other	-	-	1,936,966	1,936,966
Capital projects funds	-	-	933,215	933,215
Expendable trust funds	-	-	1,601,182	1,601,182
Insurance reserves	1,471,953	-	-	1,471,953
Total Restricted	1,540,053	-	12,704,428	14,244,481
Committed				
Reserve for continuing resolutions	4,207,730	-	-	4,207,730
Capital improvement stabilization funds	3,481,386	-	-	3,481,386
MECC stabilization	468,019	-	-	468,019
Total Committed	8,157,135	-	-	8,157,135
Assigned				
Encumbrances:				
General government	160,222	-	-	160,222
Public safety	46,790	-	-	46,790
Education	780,648	-	-	780,648
Public works	270,584	-	-	270,584
Culture and recreation	1,195	-	-	1,195
Insurance and benefits	87,940	-	-	87,940
Total Assigned	1,347,379	-	-	1,347,379
Unassigned				
General fund	6,656,789	-	-	6,656,789
General stabilization fund	6,634,735	-	-	6,634,735
Budget stabilization fund	1,039,145	-	-	1,039,145
Federal grants fund	-	(381,243)	-	(381,243)
Total Unassigned	14,330,669	(381,243)	-	13,949,426
Total Fund Balance	\$ 25,375,236	\$ (381,243)	\$ 13,213,358	\$ 38,207,351

16. 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 the 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 the 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.

Participants' Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the 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 a Massachusetts 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 Massachusetts 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, 2021 was \$6,174,365.

Summary of Significant Accounting Policies

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

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

At June 30, 2021, the Town reported a liability of \$39,375,092 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. At June 30, 2021, the Town's proportion was 7.7092%, which was an increase of 0.0117% from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$5,293,444. In addition, the Town reported deferred outflows of resources and deferred (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Differences between expected and actual experience	\$ 1,990,433	\$ -
Changes of assumptions	176,498	-
Net difference between projected and actual earnings on pension plan investments	3,938,596	(7,370,367)
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>733,624</u>	<u>(52,103)</u>
Total	\$ <u><u>6,839,151</u></u>	\$ <u><u>(7,422,470)</u></u>

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

Year ended June 30:	
2022	\$ 651,123
2023	1,119,046
2024	(1,725,745)
2025	<u>(627,743)</u>
Total	\$ <u><u>(583,319)</u></u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

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 2040

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

Target Allocations

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	30.5%	7.3%
International equities	15.5%	8.1%
Fixed income	20.5%	4.3%
Real estate	9.5%	8.2%
Private equity	10.0%	9.9%
Hedge funds	11.5%	9.9%
Real assets	2.5%	9.0%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability as of December 31, 2020 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 the 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>
\$ 53,009,315	\$ 39,375,092	\$ 27,588,920

Pension Plan Fiduciary Net Position

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

17. 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 on behalf of municipal teachers and municipal teacher retirees. The Commonwealth 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'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

Actuarial Assumptions

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of January 1, 2020 rolled forward to June 30, 2020. This valuation used the following assumptions:

- (a) 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 through January 1, 2017.
- Mortality rates were as follows:
 - Pre-retirement - reflects Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).

- Post-retirement - reflects Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).
- Disability – assumed to be in accordance with Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2018 (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, 2020 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%	0.70%
Private equity	13.00%	8.20%
Portfolio completion strategies	11.00%	3.20%
Real estate	10.00%	3.50%
Value added fixed income	8.00%	4.20%
Timber/natural resources	<u>4.00%</u>	4.10%
Total	<u><u>100.00%</u></u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. 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's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

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

1% Decrease <u>(6.15%)</u>	Current Discount Rate <u>(7.15%)</u>	1% Increase <u>(8.15%)</u>
\$ 35,411,955	\$ 28,544,844	\$ 22,908,510

Special Funding Situation

The Commonwealth 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 GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), and the Commonwealth 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 2020 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability was approximately \$161,364,649 based on a proportionate share of 0.565302%. As required by GASB 68, the Town has recognized its portion of the Commonwealth's contribution of approximately \$8,781,592 as both a revenue and expenditure in the general fund, and its portion of the collective pension expense of approximately \$19,930,846 as both a revenue and expense in the governmental activities.

18. Other Post-Employment Benefits (GASB 74 and GASB 75)

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of *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 *Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The 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, 2021.

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 the 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, 2021, 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 assets consist of investments held by the Pension Reserves Investment Trust.

Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 29.91%. 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	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.
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 estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US equity	21.20%	6.40%
International equities	11.80%	6.60%
Emerging international equities	5.00%	8.40%
Hedged equity	1.00%	5.70%
Core bonds	7.00%	2.70%
Short-term fixed income	1.00%	2.90%
20+ yr. treasury STRIPS	3.00%	1.70%
TIPS	4.00%	2.10%
Value-added fixed income	8.00%	6.20%
Private equity	14.00%	10.20%
Real estate	10.00%	6.00%
Timberland	4.00%	6.60%
Portfolio completion	<u>10.00%</u>	5.20%
Total	<u><u>100.00%</u></u>	

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, 2021, were as follows:

Total OPEB liability	\$ 79,448,221
Plan fiduciary net position	<u>9,805,609</u>
Net OPEB liability	<u><u>\$ 69,642,612</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	12.34%

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	Plan	Net OPEB
	Liability	Fiduciary	Liability
	(a)	Net Position	(a) - (b)
	(b)		
Balances, beginning of year	\$ 79,806,924	\$ 6,787,251	\$ 73,019,673
Changes for the year:			
Service cost	2,572,656	-	2,572,656
Interest	6,074,067	-	6,074,067
Experience	(6,170,129)	-	(6,170,129)
Contributions - employer	-	3,491,175	(3,491,175)
Net investment income	-	2,115,284	(2,115,284)
Benefit payments	<u>(2,835,297)</u>	<u>(2,588,101)</u>	<u>(247,196)</u>
Net Changes	<u>(358,703)</u>	<u>3,018,358</u>	<u>(3,377,061)</u>
Balances, end of year	\$ <u>79,448,221</u>	\$ <u>9,805,609</u>	\$ <u>69,642,612</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%	Current	1%
Decrease	Discount	Increase
<u>(6.5%)</u>	Rate	<u>(8.5%)</u>
<u>(7.5%)</u>		
\$ 81,204,305	\$ 69,642,612	\$ 60,152,222

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%	Current	1%
Decrease	Healthcare	Increase
<u>(1%)</u>	Cost Trend	<u>(1%)</u>
<u>(1%)</u>	Rates	
\$ 57,958,907	\$ 69,642,612	\$ 84,195,813

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

For the year ended June 30, 2021, the Town recognized an OPEB expense of \$5,402,037. At June 30, 2021, the Town reported 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	\$ -	\$ (9,382,624)
Difference between projected and actual investments earnings	-	(1,051,618)
Change in assumptions	-	(1,167,986)
Total	\$ -	\$ (11,602,228)

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

<u>Year Ended June 30:</u>	
2022	\$ (2,675,677)
2023	(2,654,615)
2024	(2,672,791)
2025	(2,047,378)
2026	(923,672)
Thereafter	(628,095)
Total	\$ (11,602,228)

19. Subsequent Events

Management has evaluated subsequent events through April 1, 2022, which is the date the financial statements were available to be issued.

In fiscal year 2021, the Town voted to use \$1,559,848 in certified free cash for fiscal year 2022.

20. Change in Accounting Principle

During fiscal year 2021, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. This required moving certain items previously recorded through an agency fund to nonmajor governmental funds and to the newly established custodial fund that reports additions and deductions for these activities.

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 has \$1,347,379 in encumbrances that will be honored in the next fiscal year.

22. Beginning Net Position/Fund Balance Restatement

The beginning (July 1, 2020) net position/fund balance of the Town has been restated as follows:

Government-Wide Financial Statements:

	Governmental <u>Activities</u>
As previously reported	\$ 82,073,431
Reclassification out of fiduciary activities per GASB 84	<u>(56,523)</u>
As restated	<u><u>\$ 82,016,908</u></u>

Fund Basis Financial Statements:

	General <u>Fund</u>	Federal Grants <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
As previously reported	\$ 18,434,990	\$ -	\$ 15,678,181	\$ 34,113,171
Reclassification of major fund	-	55,289	(55,289)	-
Reclassification of open space stabilization	2,365,135	-	(2,365,135)	-
Reclassification of insurance funds	1,401,140	-	(1,401,140)	-
Reclassification out of fiduciary activities per GASB 84	<u>-</u>	<u>-</u>	<u>(56,523)</u>	<u>(56,523)</u>
As reclassified	\$ <u>22,201,265</u>	\$ <u>55,289</u>	\$ <u>11,800,094</u>	\$ <u>34,056,648</u>

23. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, effective for the Town beginning with its fiscal year ending June 30, 2022. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements. Management is currently evaluating the impact of implementing this GASB pronouncement.

TOWN OF FRANKLIN, MASSACHUSETTS

Required Supplemental Information
General Fund
Schedule of Revenues, Expenditures, and Other Financing Sources/(Uses) – Budget and Actual
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues				
Property taxes	\$ 82,934,061	\$ 83,937,903	\$ 84,318,838	\$ 380,935
Motor vehicle excise	4,230,339	4,230,339	5,276,296	1,045,957
Other excise	524,731	524,731	673,127	148,396
Penalties, interest and other taxes	224,000	224,000	396,474	172,474
Charges for services	2,335,151	2,335,151	3,124,803	789,652
Licenses and permits	944,161	944,161	1,542,885	598,724
Intergovernmental	32,119,132	32,119,132	32,180,675	61,543
Fines and forfeitures	82,887	82,887	57,358	(25,529)
Investment income	100,000	100,000	85,187	(14,813)
Miscellaneous	<u>300,000</u>	<u>300,000</u>	<u>352,853</u>	<u>52,853</u>
Total Revenues	123,794,462	124,798,304	128,008,496	3,210,192
Expenditures				
General government	10,280,104	10,694,988	10,404,986	290,002
Public safety	12,673,641	12,888,089	12,761,705	126,384
Education	68,210,292	68,270,404	68,224,975	45,429
Public works	5,113,151	5,388,880	5,031,026	357,854
Health and human services	754,204	757,311	660,213	97,098
Culture and recreation	1,512,266	1,467,321	1,251,559	215,762
Employee benefits	13,737,615	13,674,921	13,347,825	327,096
Debt service	6,661,741	6,661,741	6,661,741	-
Intergovernmental	6,024,448	6,024,448	6,033,685	(9,237)
Capital outlay	<u>-</u>	<u>7,941,399</u>	<u>7,941,399</u>	<u>-</u>
Total Expenditures	<u>124,967,462</u>	<u>133,769,502</u>	<u>132,319,114</u>	<u>1,450,388</u>
Excess (Deficiency) of Revenues over Expenditures	(1,173,000)	(8,971,198)	(4,310,618)	4,660,580
Other Financing Sources (Uses)				
Transfers in	1,173,000	1,566,677	1,589,159	22,482
Transfers out	-	(1,436,539)	(1,451,539)	(15,000)
Use of free cash	-	2,754,668	-	(2,754,668)
Use of prior year assigned and committed fund balances (encumbrances and carryforwards)	<u>-</u>	<u>6,086,392</u>	<u>6,086,392</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>1,173,000</u>	<u>8,971,198</u>	<u>6,224,012</u>	<u>(2,747,186)</u>
Overall Budgetary Excess (Deficiency)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,913,394</u>	\$ <u>1,913,394</u>

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

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

Budgetary Basis

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

Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	Other Financing <u>Sources (Uses)</u>
GAAP Basis	\$ 137,296,262	\$ 134,200,753	\$ 78,462
Add end-of-year appropriation carryforwards to expenditures	-	5,555,081	-
To record use of PY assigned fund balance (encumbrances)	-	-	6,086,392
To reverse MTRS on behalf payment	(8,781,592)	(8,781,592)	-
Reclassification of indirect costs	-	1,173,000	1,173,000
Reverse effect of combining stabilization funds with general fund per GASB 54	(528,666)	(2,483)	(1,288,197)
Reclassification of transfers out	-	174,355	174,355
Other items	<u>22,492</u>	<u>-</u>	<u>-</u>
Budgetary Basis	\$ <u>128,008,496</u>	\$ <u>132,319,114</u>	\$ <u>6,224,012</u>

See Independent Auditors' Report.

TOWN OF FRANKLIN, MASSACHUSETTS

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

(Unaudited)

Norfolk County Retirement System						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
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								
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town</u>	<u>Total Net Pension Liability Associated with the Town</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2021	June 30, 2020	0.565302%	\$ -	\$ 161,364,649	\$ 161,364,649	\$ 42,967,009	-	50.67%
June 30, 2020	June 30, 2019	0.589260%	\$ -	\$ 148,576,160	\$ 148,576,160	\$ 42,881,322	-	53.95%
June 30, 2019	June 30, 2018	0.575463%	\$ -	\$ 136,449,789	\$ 136,449,789	\$ 40,413,995	-	54.84%
June 30, 2018	June 30, 2017	0.584000%	\$ -	\$ 133,650,583	\$ 133,650,583	\$ 39,656,333	-	54.25%
June 30, 2017	June 30, 2016	0.594982%	\$ -	\$ 133,025,615	\$ 133,025,615	\$ 39,315,863	-	52.73%
June 30, 2016	June 30, 2015	0.591007%	\$ -	\$ 121,095,209	\$ 121,095,209	\$ 37,463,272	-	55.38%
June 30, 2015	June 30, 2014	0.584174%	\$ -	\$ 92,862,306	\$ 92,862,306	\$ 35,818,594	-	61.64%

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

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

See Independent Auditors' Report.

TOWN OF FRANKLIN, MASSACHUSETTS

Required Supplementary Information Schedule of Pension Contributions

(Unaudited)

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

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

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

See Independent Auditors' Report.

TOWN OF FRANKLIN, MASSACHUSETTS

Required Supplementary Information
Other Post-Employment Benefits (OPEB)
Schedule of Changes in Net OPEB Liability
(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability					
Service cost	\$ 2,572,656	\$ 2,461,872	\$ 2,355,858	\$ 2,749,555	\$ 2,631,153
Interest	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>(2,835,297)</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	(358,703)	5,545,068	(4,175,156)	5,815,242	5,394,761
Total OPEB liability - beginning	<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)	79,448,221	79,806,924	74,261,856	78,437,012	72,621,770
Plan Fiduciary Net Position					
Contributions - employer	3,491,175	3,407,236	3,346,111	3,113,747	3,219,829
Net investment income	2,115,284	110,265	280,311	383,452	521,740
Benefit payments, including refunds of member contributions	(2,588,101)	(2,437,236)	(2,408,121)	(2,311,621)	(2,387,829)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,867)</u>	<u>-</u>
Net change in plan fiduciary net position	3,018,358	1,080,265	1,218,301	1,162,711	1,353,740
Plan fiduciary net position - beginning	<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>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>69,642,612</u>	\$ <u>73,019,673</u>	\$ <u>68,554,870</u>	\$ <u>73,948,327</u>	\$ <u>69,295,796</u>

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

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

See Independent Auditors' Report.

TOWN OF FRANKLIN, MASSACHUSETTS

Required Supplementary Information
Other Post-Employment Benefits (OPEB)
Schedules of Net OPEB Liability, Contributions, and Investment Returns (GASB 74 and 75)
(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Net OPEB Liability					
Total OPEB liability	\$ 79,448,221	\$ 79,806,924	\$ 74,261,856	\$ 78,437,012	\$ 72,621,770
Plan fiduciary net position	<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>\$ 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	12.34%	8.50%	7.68%	5.72%	4.58%
Covered employee payroll	\$ 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	102.44%	112.74%	107.78%	116.26%	112.75%
Schedule of Contributions					
Actuarially determined contribution	\$ 8,269,169	\$ 5,724,334	\$ 5,724,334	\$ 5,871,382	\$ 5,618,548
Contributions in relation to the actuarially determined contribution	<u>3,533,101</u>	<u>3,407,236</u>	<u>3,350,121</u>	<u>3,136,488</u>	<u>3,219,829</u>
Contribution deficiency	<u>\$ 4,736,068</u>	<u>\$ 2,317,098</u>	<u>\$ 2,374,213</u>	<u>\$ 2,734,894</u>	<u>\$ 2,398,719</u>
Covered employee payroll	\$ 67,985,836	\$ 64,766,856	\$ 63,608,230	\$ 63,608,230	\$ 61,457,227
Contributions as a percentage of covered employee payroll	5.20%	5.26%	5.27%	4.93%	5.24%
Schedule of Investment Returns					
Annual money weighted rate of return, net of investment expense	29.91%	2.38%	12.17%	6.11%	11.93%

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

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

See Independent Auditors' Report.