

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF MEDWAY, MASSACHUSETTS

Basic Financial Statements
and
Additional Information

Year Ended June 30, 2023



TOWN OF MEDWAY, MASSACHUSETTS

TABLE OF CONTENTS YEAR ENDED JUNE 30, 2023

	Page(s)
INDEPENDENT AUDITORS' REPORT	1 – 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 – 11
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position	12 – 13
Statement of Activities	14
Governmental Funds Financial Statements:	
Balance Sheet	15
Reconciliation of the Balance Sheet Total Fund Balances to the Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balances	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Proprietary Funds Financial Statements:	
Statement of Net Position	19 – 20
Statement of Revenues, Expenses and Changes in Net Position	21
Statement of Cash Flows	22 – 23
Fiduciary Funds Financial Statements:	
Statement of Fiduciary Net Position	24
Statement of Changes in Fiduciary Net Position	25
Notes to the Financial Statements	26 – 54
REQUIRED SUPPLEMENTARY INFORMATION – UNAUDITED:	
Schedule of the Town's Proportionate Share of the Net Pension Liability	55
Schedule of the Town's Contributions to the Pension Plan	55
Schedule of the Commonwealth's Collective Share of the Massachusetts Teachers' Retirement Net Pension Liability	56
Schedule of Changes in Net OPEB Liability and Related Ratios – OPEB Plan	57
Schedule of Contributions to the OPEB Plan – OPEB Plan	58
Schedule of Investment Returns – OPEB Plan	58
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	59
Notes to Required Supplementary Information	60



INDEPENDENT AUDITORS' REPORT

Honorable Select Board
Town of Medway, Massachusetts

Opinions

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 Medway, Massachusetts (the "Town") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 31, 2023 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Roselli, Clark and Associates
Certified Public Accountants
Woburn, Massachusetts
October 31, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the Town of Medway, Massachusetts (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information.

Financial Highlights

- The Town's assets and deferred outflows of financial resources exceeded its liabilities and deferred inflows of financial resources at the close of the most recent fiscal year by nearly \$132.9 million (total net position) at June 30, 2023. The Town's total net position increased by approximately \$12.4 million in fiscal year 2023.
- The net position in governmental activities increased over \$7.6 million in fiscal year 2023, while the net position in business-type activities increased over \$4.8 million in fiscal year 2023.
- The Town continues to report a deficit in its unrestricted net position in its governmental activities. This deficit approached \$23.8 million at June 30, 2023. This deficit is due primarily to the recording of liabilities associated with the net OPEB and pension liabilities, which totaled over \$54.8 million at June 30, 2023 in the aggregate. These liabilities are applied to the Town's unrestricted net position and represent actuarial estimates of future postemployment benefits payable by the Town for retiree medical insurance and pensions.
- As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$40.9 million, which was approximately \$4.7 million higher than the prior year.
- Of the ending fund balance in the governmental funds at June 30, 2023, approximately \$11.9 million is available for spending at the government's discretion as unassigned fund balance. The remainder is earmarked for specific expenditures.
- At June 30, 2023, unassigned fund balance for the general fund represented nearly 18% percent of total fiscal year 2023 general fund expenditures.
- The Town's total combined long-term debt in its governmental activities and business-type activities increased approximately \$19.7 million in fiscal year 2023. The Town issued over \$18.7 million in general obligation bonds together with bond premiums in fiscal year 2023.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains other 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 the Town’s finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the Town’s assets and deferred outflows of resources and its liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the government’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 pay).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (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 of the Town include general government, public safety, highways and streets, sanitation, education, health and human services, culture and recreation, fringe benefits and debt service. The business-type activities of the Town include sewer, water and solid waste operations.

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. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the Town can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Accounting guidelines distinguish fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications:

- Nonspendable – amounts that cannot be spent because they are either (a) not in spendable form (i.e., inventory or prepaid items) or (b) legally or contractually required to be maintained intact.
- Restricted – amounts constrained by external parties, constitutional provision, or enabling legislation.
- Committed – amounts constrained by the Town using its highest level of decision-making authority.
- Assigned – amounts a government intends to use for a particular purpose.
- Unassigned – amounts that are not constrained at all will be reported in the general fund of in other major governmental funds if negative.

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.

Reconciliations are provided in the basic financial statements to help the reader understand the differences.

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, community preservation fund and capital projects fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. This schedule has been prepared as required supplementary information and can be found along with the corresponding notes in this report.

Proprietary Funds – Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town utilizes the proprietary funds to report activities of its enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its sewer, water and solid waste activities.

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 statement 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 the 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.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits and other postemployment benefits to its employees as well as a budget to actual comparison for the current year's general fund operations.

Government-Wide Financial Analysis

The condensed comparative statements of net position for the two most recent years are as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>June 30,</u> <u>2023</u>	<u>June 30,</u> <u>2022</u>	<u>June 30,</u> <u>2023</u>	<u>June 30,</u> <u>2022</u>	<u>June 30,</u> <u>2023</u>	<u>June 30,</u> <u>2022</u>
Assets:						
Current and other assets	\$ 47,085,797	\$ 45,558,394	\$ 22,331,453	\$ 8,825,928	\$ 69,417,250	\$ 54,384,322
Capital assets, net	<u>135,536,827</u>	<u>130,979,219</u>	<u>50,563,201</u>	<u>37,852,618</u>	<u>186,100,028</u>	<u>168,831,837</u>
Total Assets	<u>182,622,624</u>	<u>176,537,613</u>	<u>72,894,654</u>	<u>46,678,546</u>	<u>255,517,278</u>	<u>223,216,159</u>
Deferred Outflows of Resources	<u>12,515,347</u>	<u>10,987,939</u>	<u>495,142</u>	<u>345,725</u>	<u>13,010,489</u>	<u>11,333,664</u>
Liabilities:						
Long-term liabilities	86,161,696	75,164,920	32,866,396	15,561,550	119,028,092	90,726,470
Other liabilities	<u>8,038,889</u>	<u>11,105,992</u>	<u>6,283,244</u>	<u>1,667,495</u>	<u>14,322,133</u>	<u>12,773,487</u>
Total Liabilities	<u>94,200,585</u>	<u>86,270,912</u>	<u>39,149,640</u>	<u>17,229,045</u>	<u>133,350,225</u>	<u>103,499,957</u>
Deferred Inflows of Resources	<u>2,227,306</u>	<u>10,145,727</u>	<u>50,570</u>	<u>420,942</u>	<u>2,277,876</u>	<u>10,566,669</u>
Net Position:						
Net investment in capital assets	101,302,345	98,411,604	26,150,173	23,013,542	127,452,518	121,425,146
Restricted	21,168,750	20,147,734	-	-	21,168,750	20,147,734
Unrestricted	<u>(23,761,015)</u>	<u>(27,450,425)</u>	<u>8,039,413</u>	<u>6,360,742</u>	<u>(15,721,602)</u>	<u>(21,089,683)</u>
Total Net Position	<u>\$ 98,710,080</u>	<u>\$ 91,108,913</u>	<u>\$ 34,189,586</u>	<u>\$ 29,374,284</u>	<u>\$ 132,899,666</u>	<u>\$ 120,483,197</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's total net position increased over \$12.4 million in fiscal year 2023. The net position in governmental activities increased over \$7.6 million, while the net position in business-type activities increased over \$4.8 million.

The largest portion the Town's overall net position (approximately \$127.5 million) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its 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 significant portion of the Town's total net position (approximately \$21.2 million) represents resources that are subject to external restrictions on how they may be used.

The remaining category represents unrestricted net position, which currently has a deficit balance of approximately \$15.7 million. This deficit balance is primarily the result of the reporting of nearly \$56.9 million in net OPEB and pension liabilities in the Town's governmental and business-type activities. The Town expects that its deficit in unrestricted net position will continue to increase for the foreseeable future primarily due to OPEB.

The condensed comparative statements of activities for the two most recent years are as follows:

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 7,525,532	\$ 6,946,678	\$ 8,323,093	\$ 8,007,687	\$ 15,848,625	\$ 14,954,365
Operating grants and contributions	22,227,142	20,901,012	-	-	22,227,142	20,901,012
Capital grants and contributions	997,243	619,494	4,300,421	-	5,297,664	619,494
General revenues:						
Property taxes	48,595,219	45,945,192	-	-	48,595,219	45,945,192
Excise taxes	2,775,938	2,354,073	-	-	2,775,938	2,354,073
Intergovernmental	1,415,321	1,340,851	-	-	1,415,321	1,340,851
Other	1,152,606	274,484	1,982	-	1,154,588	274,484
Total Revenues	<u>84,689,001</u>	<u>78,381,784</u>	<u>12,625,496</u>	<u>8,007,687</u>	<u>97,314,497</u>	<u>86,389,471</u>
Expenses:						
General government	6,775,126	5,435,837	-	-	6,775,126	5,435,837
Public safety	10,103,201	8,502,861	-	-	10,103,201	8,502,861
Education	51,705,651	46,565,200	-	-	51,705,651	46,565,200
Public works	4,711,493	5,227,130	-	-	4,711,493	5,227,130
Health and human services	750,681	783,685	-	-	750,681	783,685
Culture and recreation	2,424,968	1,848,310	-	-	2,424,968	1,848,310
Interest expense	801,610	864,122	-	-	801,610	864,122
Utilities	-	-	7,625,298	6,738,990	7,625,298	6,738,990
Total Expenses	<u>77,272,730</u>	<u>69,227,145</u>	<u>7,625,298</u>	<u>6,738,990</u>	<u>84,898,028</u>	<u>75,966,135</u>
Change in Net Position Before Transfers	7,416,271	9,154,639	5,000,198	1,268,697	12,416,469	10,423,336
Transfers	<u>184,896</u>	<u>359,313</u>	<u>(184,896)</u>	<u>(359,313)</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>7,601,167</u>	<u>9,513,952</u>	<u>4,815,302</u>	<u>909,384</u>	<u>12,416,469</u>	<u>10,423,336</u>
Net Position:						
Beginning of year	<u>91,108,913</u>	<u>81,594,961</u>	<u>29,374,284</u>	<u>28,464,900</u>	<u>120,483,197</u>	<u>110,059,861</u>
End of year	<u>\$ 98,710,080</u>	<u>\$ 91,108,913</u>	<u>\$ 34,189,586</u>	<u>\$ 29,374,284</u>	<u>\$ 132,899,666</u>	<u>\$ 120,483,197</u>

Governmental Activities – Total revenues in fiscal year 2023 in the Town’s governmental activities increased over \$6.3 million, or 8.0%, from the prior fiscal year. This increase was due primarily to the following:

- a nearly \$2.7 million increase in property taxes;
- an over \$1.3 million increase in operating grants and contributions; and
- an over \$0.9 million increase in investment income.

The Town’s largest revenue source is property taxes, which represented approximately 57% and 59% of total fiscal year 2023 and 2022 revenues, respectively. Property taxes increased nearly \$2.7 million, or 5.8%, in fiscal year 2023 due to normal property tax increases, significant new growth and a significant reduction in excess levy capacity year-over-year. Operating grants and contributions represented approximately 26% and 27% of total fiscal year 2023 and 2022 revenues, respectively. Operating grants and contributions increased over \$1.3 million in fiscal year 2023. No other revenue sources were greater than 10% of total revenues in fiscal years 2023 or 2022.

Education represents the largest expense category for the Town. In total, education expenses represented approximately 67% of total fiscal year 2023 and 2022 expenses. Public safety expenses represented approximately 13% and 12%, respectively, of total fiscal year 2023 and 2022 expenses. No other expense types were greater than 10% of total expenses in fiscal years 2023 or 2022.

Business-Type Activities – Total business-type activities revenues increased over \$4.6 million in fiscal year 2023, which was due primarily to the one-time receipt of over \$4.3 million in ARPA and related capital awards. Charges for services increased approximately \$0.3 million year-over-year. Expenses in the business-type activities increased nearly \$0.9 million in fiscal year 2023, primarily as the result of higher noncapitalizable expenses.

Government Funds Financial Analysis

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – The focus of the Town’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town’s 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.

As of the close of the current fiscal year, the Town’s governmental funds balance sheet reported a combined ending fund balance surplus of over \$40.9 million, which was approximately \$4.7 million greater than the prior year. The Town reported positive changes in fund balances in each of its reported major governmental funds in fiscal year 2023 except its capital projects fund, which reported a decrease in fund balance of over \$0.4 million. Of the ending fund balances, approximately \$11.9 million is available for spending at the government’s discretion as unassigned fund balance. The remainder is earmarked for specific expenditures.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the unassigned fund balance of the general fund exceeded \$12.1 million, while total general fund balance approached \$26.8 million. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance at year end represents nearly 18% of total fiscal year 2023 general fund expenditures, while total fund balance represents nearly 40% of that same amount.

The community preservation fund reported a fund balance of over \$4.6 million at June 30, 2023, which was an increase of over \$0.5 million from the prior year.

The capital projects fund expended nearly \$5.1 million, the majority of which was used to purchase parcels of land. The Town completed the sale of nearly \$5.7 million in general obligation bonds together with bond premiums in fiscal year 2023, which are reported in the capital projects fund.

The nonmajor governmental funds reported a modest decrease in fund balance of over \$0.3 million in fiscal year 2023, which is primarily the function of timing of receipts versus expenditures.

Proprietary Funds – The Town’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Fiduciary Fund – The Town’s fiduciary fund is comprised of its OPEB trust fund and private purpose trust funds.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were not significant. A reconciliation of these differences is found in the required supplementary information.

Capital Asset and Debt Administration

Capital Assets – The Town’s investment in capital assets, which includes land, buildings, infrastructure, machinery and equipment, for its governmental and business-type activities as of June 30, 2023 totaled approximately \$186.1 million, net of accumulated depreciation. This is an increase of nearly \$17.3 million from the prior year as fiscal year 2023 capital additions (particularly in the business-type activities) exceeded depreciation expense.

Additional information on the Town capital assets can be found in the notes to the financial statements.

Long-Term Debt – The Town’s total general obligation bond and notes payable debt increased approximately \$19.7 million in fiscal year 2023 to approximately \$67.3 million at June 30, 2023. The Town issued over \$18.7 million in general obligation bonds together with bond premiums in fiscal year 2023.

The Town also holds a proportionate share of debt of other governmental units that provide services within the Town’s boundaries. Debt service from such arrangements is assessed annually to the Town. Additional information on the Town’s debt can be found in the notes to the financial statements.

In connection with the Town’s most recent general obligation bond issuance, Standard & Poor’s Financial Services affirmed the Town’s AAA credit rating on its long-term debt, which is the highest credit rating for long-term debt issued by this agency.

Economic Factors and Next Year’s Budgets

- Net state aid for fiscal year 2024 is expected to be approximately \$12.0 million.
- The Town enters fiscal year 2024 with the following financial reserves:
 - Certified free cash of nearly \$4.7 million;
 - General stabilization funds of approximately \$4.5 million; and
 - Capital stabilization funds of approximately \$8.3 million.
- Inflation is expected to continue affecting the Town in a number of areas including increased capital acquisition costs and operating expenses.
- The Town’s real estate tax base is made up predominantly of residential taxes, which in setting the 2023 tax rate was approximately 78% of the entire property tax levy. The Town also relies to a moderate degree on its commercial, industrial and personal property real estate tax base which comprise the remainder of the levy. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town’s ability to increase taxes in any one year by more than 2 ½% of the previous year’s tax levy.
- Property values within the Town have been steadily increasing. Many neighborhoods’ property values are at all-time highs.

The above items were considered when the Town approved its fiscal year 2024 budget in its May 2023 Annual Town Meeting. The Town expects to set its fiscal year 2024 property tax rate in November 2023.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Finance Director, Town of Medway, Massachusetts, 155 Village Street, Medway, Massachusetts 02053.

TOWN OF MEDWAY, MASSACHUSETTS

STATEMENT OF NET POSITION JUNE 30, 2023

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 35,905,469	\$ 19,885,448	\$ 55,790,917
Investments	8,222,753	-	8,222,753
Receivables, net of allowances:			
Property taxes	1,755,497	-	1,755,497
Excise taxes	136,671	-	136,671
Departmental, user charges and other	387,909	2,446,005	2,833,914
Intergovernmental	677,498	-	677,498
Land	30,692,192	614,836	31,307,028
Construction in-progress	98,639	20,340,242	20,438,881
Depreciable capital assets, net	104,745,996	29,608,123	134,354,119
Total Assets	182,622,624	72,894,654	255,517,278
Deferred Outflows of Resources:			
Other postemployment benefits	7,086,783	160,898	7,247,681
Pensions	5,428,564	334,244	5,762,808
Total Deferred Outflows of Resources	12,515,347	495,142	13,010,489

(continued)

TOWN OF MEDWAY, MASSACHUSETTS

STATEMENT OF NET POSITION JUNE 30, 2023

	Governmental Activities	Business-Type Activities	Total
Liabilities:			
Warrants and accounts payable	\$ 1,322,979	\$ 3,335,429	\$ 4,658,408
Accrued payroll and withholdings	1,137,111	45,345	1,182,456
Retainage payable	-	549,560	549,560
Accrued interest	307,968	460,684	768,652
Other liabilities	59,608	-	59,608
Deposits and escrows	1,353,256	-	1,353,256
Short-term notes payable	95,265	-	95,265
Noncurrent liabilities:			
Due within one year	3,762,702	1,892,226	5,654,928
Due in more than one year	86,161,696	32,866,396	119,028,092
Total Liabilities	<u>94,200,585</u>	<u>39,149,640</u>	<u>133,350,225</u>
Deferred Inflows of Resources:			
Other postemployment benefits	<u>2,227,306</u>	<u>50,570</u>	<u>2,277,876</u>
Total Deferred Inflows of Resources	<u>2,227,306</u>	<u>50,570</u>	<u>2,277,876</u>
Net Position:			
Net investment in capital assets	101,302,345	26,150,173	127,452,518
Restricted for:			
Nonexpendable permanent funds	110,869	-	110,869
Expendable perpetual funds	625,623	-	625,623
Community preservation	4,629,339	-	4,629,339
Gifts and donations	2,313,797	-	2,313,797
Receipts reserved for appropriation	1,767,132	-	1,767,132
Other purposes	11,721,990	-	11,721,990
Unrestricted	<u>(23,761,015)</u>	<u>8,039,413</u>	<u>(15,721,602)</u>
Total Net Position	<u>\$ 98,710,080</u>	<u>\$ 34,189,586</u>	<u>\$ 132,899,666</u> <i>(concluded)</i>

See accompanying notes to basic financial statements.

TOWN OF MEDWAY, MASSACHUSETTS

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 6,775,126	\$ 696,757	\$ 1,044,412	\$ -	\$ (5,033,957)		\$ (5,033,957)
Public safety	10,103,201	2,514,138	648,067	-	(6,940,996)		(6,940,996)
Education	51,705,651	2,775,493	19,614,651	-	(29,315,507)		(29,315,507)
Public works	4,711,493	814,526	267,621	997,243	(2,632,103)		(2,632,103)
Health and human services	750,681	43,097	487,934	-	(219,650)		(219,650)
Culture and recreation	2,424,968	681,521	164,457	-	(1,578,990)		(1,578,990)
Interest expense	801,610	-	-	-	(801,610)		(801,610)
Total Governmental Activities	77,272,730	7,525,532	22,227,142	997,243	(46,522,813)		(46,522,813)
Business-Type Activities:							
Sewer	2,106,779	2,087,568	-	-		\$ (19,211)	(19,211)
Water	3,683,587	4,676,404	-	4,300,421		5,293,238	5,293,238
Solid waste	1,834,932	1,559,121	-	-		(275,811)	(275,811)
Total Business-Type Activities	7,625,298	8,323,093	-	4,300,421		4,998,216	4,998,216
Total Primary Government	\$ 84,898,028	\$ 15,848,625	\$ 22,227,142	\$ 5,297,664		4,998,216	(41,524,597)
General Revenues:							
Property taxes					48,595,219	-	48,595,219
Motor vehicle and other excise taxes					2,775,938	-	2,775,938
Grants and contributions not restricted to to specific programs					1,415,321	-	1,415,321
Penalties and interest on taxes					99,801	-	99,801
Unrestricted investment income					1,052,805	1,982	1,054,787
Transfers, net					184,896	(184,896)	-
Total General Revenues and Transfers					54,123,980	(182,914)	53,941,066
Change in Net Position					7,601,167	4,815,302	12,416,469
Net Position:							
Beginning of year					91,108,913	29,374,284	120,483,197
End of year					\$ 98,710,080	\$ 34,189,586	\$ 132,899,666

See accompanying notes to basic financial statements.

TOWN OF MEDWAY, MASSACHUSETTS

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2023**

	<u>General Fund</u>	<u>Community Preservation Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets:					
Cash and cash equivalents	\$ 21,635,314	\$ 4,629,380	\$ 449,966	\$ 9,190,809	\$ 35,905,469
Investments	8,222,753	-	-	-	8,222,753
Receivables, net of allowances:					
Property taxes	1,742,412	13,085	-	-	1,755,497
Excise taxes	136,671	-	-	-	136,671
Departmental, user charges and other	39,974	-	-	347,935	387,909
Intergovernmental	-	-	-	677,498	677,498
Total Assets	<u>31,777,124</u>	<u>4,642,465</u>	<u>449,966</u>	<u>10,216,242</u>	<u>47,085,797</u>
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 31,777,124</u>	<u>\$ 4,642,465</u>	<u>\$ 449,966</u>	<u>\$ 10,216,242</u>	<u>\$ 47,085,797</u>
Liabilities:					
Warrants and accounts payable	\$ 713,800	\$ 41	\$ 4,007	\$ 605,131	\$ 1,322,979
Accrued payroll and withholdings	992,821	-	-	144,290	1,137,111
Other liabilities	59,608	-	-	-	59,608
Deposits and escrows	1,353,256	-	-	-	1,353,256
Short-term notes payable	-	-	-	95,265	95,265
Total Liabilities	<u>3,119,485</u>	<u>41</u>	<u>4,007</u>	<u>844,686</u>	<u>3,968,219</u>
Deferred Inflows of Resources:					
Unavailable revenues - property taxes	1,742,412	13,085	-	-	1,755,497
Unavailable revenues - other	141,645	-	-	271,397	413,042
Total Deferred Inflows of Resources	<u>1,884,057</u>	<u>13,085</u>	<u>-</u>	<u>271,397</u>	<u>2,168,539</u>
Fund Balances:					
Nonspendable	-	-	-	110,869	110,869
Restricted	338,663	4,629,339	455,293	9,163,129	14,586,424
Committed	11,076,766	-	-	-	11,076,766
Assigned	3,241,128	-	-	-	3,241,128
Unassigned	12,117,025	-	(9,334)	(173,839)	11,933,852
Total Fund Balances	<u>26,773,582</u>	<u>4,629,339</u>	<u>445,959</u>	<u>9,100,159</u>	<u>40,949,039</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 31,777,124</u>	<u>\$ 4,642,465</u>	<u>\$ 449,966</u>	<u>\$ 10,216,242</u>	<u>\$ 47,085,797</u>

See accompanying notes to basic financial statements.

TOWN OF MEDWAY, MASSACHUSETTS

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET POSITION AS OF
JUNE 30, 2023**

Total Governmental Fund Balances		\$ 40,949,039
Capital assets used in governmental activities in the statement of net position are not financial resources and, therefore, are not reported in the funds.		135,536,827
Certain receivables and revenues are deferred in the governmental funds as they are not current financial resources. These revenues are accrued under the economic resources basis of accounting.		2,168,539
Deferred outflows and inflows of resources to be recognized in future expense are not available resources and, therefore, are not reported in the funds:		
Deferred outflows of resources - other postemployment benefits	7,086,783	
Deferred outflows of resources - pensions	5,428,564	
Deferred inflows of resources - other postemployment benefits	<u>(2,227,306)</u>	
Net effect of reporting deferred outflows and inflows of resources		10,288,041
Interest is accrued on outstanding long-term debt in the statement of net position but not in the funds until due.		(307,968)
Long-term liabilities not currently due and payable are reported in the statement of net position and not in the funds:		
Net other postemployment benefits liability	(34,008,581)	
Net pension liability	(20,811,667)	
Compensated absences	(427,717)	
Bonds and notes payable	<u>(34,676,433)</u>	
Net effect of reporting long-term liabilities		<u>(89,924,398)</u>
Net Position — Governmental Activities		<u>\$ 98,710,080</u>

See accompanying notes to basic financial statements.

TOWN OF MEDWAY, MASSACHUSETTS

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2023**

	General Fund	Community Preservation Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Revenues:					
Property taxes, net of tax refunds	\$ 47,354,669	\$ 1,089,718	\$ -	\$ -	\$ 48,444,387
Intergovernmental	17,103,535	519,837	-	5,977,301	23,600,673
Motor vehicle and other excise taxes	2,731,901	-	-	-	2,731,901
Licenses and permits	764,250	-	-	-	764,250
Penalties and interest on taxes	97,824	1,660	-	317	99,801
Fines and forfeitures	7,555	-	-	-	7,555
Departmental and other revenues	1,238,520	-	-	5,534,063	6,772,583
Contributions and donations	-	-	-	1,039,033	1,039,033
Investment income	983,754	57,229	-	11,822	1,052,805
Total Revenues	<u>70,282,008</u>	<u>1,668,444</u>	<u>-</u>	<u>12,562,536</u>	<u>84,512,988</u>
Expenditures:					
Current:					
General government	3,533,800	704,031	4,914,284	1,065,693	10,217,808
Public safety	6,941,795	-	14,308	963,164	7,919,267
Education	36,200,905	-	-	7,490,188	43,691,093
Public works	4,956,031	-	141,912	1,286,593	6,384,536
Health and human services	590,491	-	-	230,276	820,767
Culture and recreation	828,999	-	24,373	675,462	1,528,834
Pension and fringe benefits	10,097,238	-	-	-	10,097,238
State and county charges	800,639	-	-	-	800,639
Debt service:					
Principal	2,923,532	345,000	-	-	3,268,532
Interest	869,709	73,725	-	-	943,434
Total Expenditures	<u>67,743,139</u>	<u>1,122,756</u>	<u>5,094,877</u>	<u>11,711,376</u>	<u>85,672,148</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,538,869</u>	<u>545,688</u>	<u>(5,094,877)</u>	<u>851,160</u>	<u>(1,159,160)</u>
Other Financing Sources (Uses):					
Issuance of general obligation bonds	-	-	5,150,000	-	5,150,000
Premiums from issuance of bonds	-	-	505,000	-	505,000
Transfers in	1,342,817	-	-	2,824	1,345,641
Transfers out	(2,824)	-	-	(1,157,921)	(1,160,745)
Total Other Financing Sources (Uses)	<u>1,339,993</u>	<u>-</u>	<u>5,655,000</u>	<u>(1,155,097)</u>	<u>5,839,896</u>
Change in Fund Balances	3,878,862	545,688	560,123	(303,937)	4,680,736
Fund Balances:					
Beginning of the year	22,894,720	4,083,651	(114,164)	9,404,096	36,268,303
End of the year	<u>\$ 26,773,582</u>	<u>\$ 4,629,339</u>	<u>\$ 445,959</u>	<u>\$ 9,100,159</u>	<u>\$ 40,949,039</u>

See accompanying notes to basic financial statements.

TOWN OF MEDWAY, MASSACHUSETTS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

Change in Fund Balances — Total Governmental Funds \$ 4,680,736

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and depreciated over their estimated useful lives. Capital asset activity in the current fiscal year included:

Capital asset additions	10,013,879	
Depreciation expense	<u>(5,460,771)</u>	
Net effect of reporting capital activity		4,553,108

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. 180,513

The issuance of long-term debt provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither has any effect on net position. Also, the governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued; whereas these amounts are deferred and amortized in the statement of activities. Differences in the treatment of long-term debt transactions in the current fiscal year included:

Issuance of long-term debt	(5,150,000)	
Premiums received on long-term borrowings	(505,000)	
Repayments of long-term debt	3,268,532	
Amortization of bond premiums	<u>162,667</u>	
Net effect of reporting long-term debt activity		(2,223,801)

Some revenues/expenses reported in the statement of activities do not provide/require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds:

Net other postemployment benefits liability	174,808	
Net pension liability	297,254	
Compensated absences	(40,608)	
Accrued interest	<u>(20,843)</u>	
Net effect of reporting long-term liabilities		<u>410,611</u>

Change in Net Position — Governmental Activities \$ 7,601,167

See accompanying notes to basic financial statements.

TOWN OF MEDWAY, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2023**

	Business-Type Activities			
	Sewer	Water	Solid Waste	Total
Assets:				
Current Assets:				
Cash and cash equivalents	\$ 1,603,659	\$ 17,205,689	\$ 1,076,100	\$ 19,885,448
Receivables, net of allowances:				
User charges receivable	564,998	1,280,127	301,972	2,147,097
Betterments	28,483	-	-	28,483
Total Current Assets	2,197,140	18,485,816	1,378,072	22,061,028
Noncurrent Assets:				
Betterments	270,425	-	-	270,425
Land	-	614,836	-	614,836
Construction in-progress	-	20,340,242	-	20,340,242
Depreciable capital assets, net	9,831,278	19,776,845	-	29,608,123
Total Noncurrent Assets	10,101,703	40,731,923	-	50,833,626
Total Assets	12,298,843	59,217,739	1,378,072	72,894,654
Deferred Outflows of Resources:				
Other postemployment benefits	13,046	126,834	21,018	160,898
Pensions	69,154	224,750	40,340	334,244
Total Deferred Outflows of Resources	82,200	351,584	61,358	495,142

(continued)

TOWN OF MEDWAY, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2023**

	Business-Type Activities			
	Sewer	Water	Solid Waste	Total
Liabilities:				
Current Liabilities:				
Warrants and accounts payable	\$ 1,231	\$ 3,214,430	\$ 119,768	\$ 3,335,429
Accrued payroll and withholdings	8,893	30,746	5,706	45,345
Retainage payable	-	549,560	-	549,560
Accrued interest	9,466	451,218	-	460,684
Compensated absences	1,409	10,137	825	12,371
Current portion of long-term debt	150,000	1,729,855	-	1,879,855
Total Current Liabilities	170,999	5,985,946	126,299	6,283,244
Noncurrent liabilities:				
Compensated absences	4,227	30,409	2,475	37,111
Net other postemployment benefits liability	63,002	607,051	101,368	771,421
Net pension liability	265,117	861,630	154,651	1,281,398
Long-term debt	800,000	29,976,466	-	30,776,466
Total Noncurrent Liabilities	1,132,346	31,475,556	258,494	32,866,396
Total Liabilities	1,303,345	37,461,502	384,793	39,149,640
Deferred Inflows of Resources:				
Other postemployment benefits	4,101	39,863	6,606	50,570
Total Deferred Inflows of Resources	4,101	39,863	6,606	50,570
Net Position:				
Net investment in capital assets	8,881,278	17,268,895	-	26,150,173
Unrestricted	2,192,319	4,799,063	1,048,031	8,039,413
Total Net Position	\$ 11,073,597	\$ 22,067,958	\$ 1,048,031	\$ 34,189,586
				(concluded)

See accompanying notes to basic financial statements.

TOWN OF MEDWAY, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023**

	Business-Type Activities			
	Sewer	Water	Solid Waste	Total
Operating Revenues:				
Charges for services	\$ 2,062,991	\$ 4,389,452	\$ 1,559,016	\$ 8,011,459
Other operating revenues	24,577	286,952	105	311,634
Total Operating Revenues	2,087,568	4,676,404	1,559,121	8,323,093
Operating Expenses:				
Payroll and personnel costs	360,546	1,047,922	248,591	1,657,059
Operating costs	1,320,570	769,633	1,586,341	3,676,544
Depreciation	388,272	821,023	-	1,209,295
Total Operating Expenses	2,069,388	2,638,578	1,834,932	6,542,898
Operating Income	18,180	2,037,826	(275,811)	1,780,195
Nonoperating Revenues (Expenses):				
Investment income	1,982	-	-	1,982
Interest expense	(37,391)	(1,045,009)	-	(1,082,400)
Total Nonoperating Revenues (Expenses)	(35,409)	(1,045,009)	-	(1,080,418)
Income Before Transfers	(17,229)	992,817	(275,811)	699,777
Capital Contributions and Transfers:				
Intergovernmental capital contributions	-	4,300,421	-	4,300,421
Transfers in	-	300,000	-	300,000
Transfers out	(229,146)	(204,082)	(51,668)	(484,896)
Total Transfers	(229,146)	4,396,339	(51,668)	4,115,525
Change in Net Position	(246,375)	5,389,156	(327,479)	4,815,302
Net Position:				
Beginning of the year	11,319,972	16,678,802	1,375,510	29,374,284
End of the year	\$ 11,073,597	\$ 22,067,958	\$ 1,048,031	\$ 34,189,586

See accompanying notes to basic financial statements.

TOWN OF MEDWAY, MASSACHUSETTS

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2023

	Business-Type Activities			
	Sewer	Water	Solid Waste	Total
Cash Flows from Operating Activities:				
Receipts from user charges	\$ 1,999,183	\$ 4,163,644	\$ 1,514,650	\$ 7,677,477
Receipts from other operating revenues	24,577	286,952	105	311,634
Payments to employees	(361,907)	(1,057,398)	(257,259)	(1,676,564)
Payments to vendors	<u>(1,363,702)</u>	<u>2,902,132</u>	<u>(1,588,246)</u>	<u>(49,816)</u>
Net Cash Provided By (Used In) Operating Activities	<u>298,151</u>	<u>6,295,330</u>	<u>(330,750)</u>	<u>6,262,731</u>
Cash Flows from Noncapital Financial Activities:				
Transfers in	-	300,000	-	300,000
Transfers out	<u>(229,146)</u>	<u>(204,082)</u>	<u>(51,668)</u>	<u>(484,896)</u>
Net Cash (Used In) Provided By Noncapital Financing Activities	<u>(229,146)</u>	<u>95,918</u>	<u>(51,668)</u>	<u>(184,896)</u>
Cash Flows from Capital and Related Financing Activities:				
Proceeds from capital grants	-	4,300,421	-	4,300,421
Proceeds from the issuance of long-term debt	-	18,730,000	-	18,730,000
Acquisition and construction of capital assets	-	(13,919,878)	-	(13,919,878)
Principal repayments on long-term debt	(185,000)	(1,093,101)	-	(1,278,101)
Repayments on short-term debt	-	-	-	-
Interest payments	<u>(38,925)</u>	<u>(701,791)</u>	<u>-</u>	<u>(740,716)</u>
Net Cash (Used In) Provided By Capital and Related Financing Activities	<u>(223,925)</u>	<u>7,315,651</u>	<u>-</u>	<u>7,091,726</u>
Cash Flow from Investing Activities:				
Investment income	<u>1,982</u>	<u>-</u>	<u>-</u>	<u>1,982</u>
Net Cash Provided By Investing Activities	<u>1,982</u>	<u>-</u>	<u>-</u>	<u>1,982</u>
Change in Cash and Cash Equivalents	(152,938)	13,706,899	(382,418)	13,171,543
Cash and Cash Equivalents:				
Beginning of the year	<u>1,756,597</u>	<u>3,498,790</u>	<u>1,458,518</u>	<u>6,713,905</u>
End of the year	<u>\$ 1,603,659</u>	<u>\$ 17,205,689</u>	<u>\$ 1,076,100</u>	<u>\$ 19,885,448</u>

(continued)

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023**

	Business-Type Activities			
	Sewer	Water	Solid Waste	Total
Reconciliation of Operating Income to Net Cash Provided By (Used In) Operating Activities:				
Operating Income	\$ 18,180	\$ 2,037,826	\$ (275,811)	\$ 1,780,195
Adjustments to Reconcile Operating Income to Net Cash Provided By (Used In) Operating Activities:				
Depreciation expense	388,272	821,023	-	1,209,295
Changes in assets, deferred outflows (inflows) of resources and liabilities:				
Receivables and other current assets	(63,808)	(225,808)	(44,366)	(333,982)
Warrants payable and other current liabilities	(43,811)	3,676,195	(464)	3,631,920
Accrued and deferred benefits payable	(682)	(13,906)	(10,109)	(24,697)
Net Cash Provided By Operating Activities	<u>\$ 298,151</u>	<u>\$ 6,295,330</u>	<u>\$ (330,750)</u>	<u>\$ 6,262,731</u>
				(concluded)

See accompanying notes to basic financial statements.

TOWN OF MEDWAY, MASSACHUSETTS

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2023**

	<u>OPEB Trust</u>	<u>Private Purpose Trust Funds</u>
Assets:		
Cash and cash equivalents	\$ 68,537	\$ 925,859
Investments at fair value:		
Fixed income securities	299,819	-
Equity securities	1,384,257	-
Mutual funds	<u>974,867</u>	<u>-</u>
Total Assets	<u>2,727,480</u>	<u>925,859</u>
Liabilities:		
Warrants and accounts payable	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>
Net Position:		
Restricted for other postemployment benefits	2,727,480	-
Held in trust for private purposes	<u>-</u>	<u>925,859</u>
Total Net Position	<u>\$ 2,727,480</u>	<u>\$ 925,859</u>

See accompanying notes to basic financial statements.

TOWN OF MEDWAY, MASSACHUSETTS

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

	<u>OPEB Trust</u>	<u>Private Purpose Trust Funds</u>
Additions:		
Employer contributions	\$ 1,803,215	\$ -
Other contributions	<u>-</u>	<u>26,208</u>
Total contributions	<u>1,803,215</u>	<u>26,208</u>
Net investment income	<u>296,855</u>	<u>7,665</u>
Total Additions	<u>2,100,070</u>	<u>33,873</u>
Deductions:		
Benefits to retirees	1,503,215	-
Scholarships	<u>-</u>	<u>45,700</u>
Total Deductions	<u>1,503,215</u>	<u>45,700</u>
Change in Net Position	596,855	(11,827)
Net Position:		
Beginning of the year	<u>2,130,625</u>	<u>937,686</u>
End of the year	<u>\$ 2,727,480</u>	<u>\$ 925,859</u>

See accompanying notes to basic financial statements.

TOWN OF MEDWAY, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

I. Summary of Significant Accounting Policies

The accompanying basic financial statements of the Town of Medway (the “Town”) have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board (“GASB”), which is the primary standard-setting body for state and local government entities. The following is a summary of the more significant policies and practices used by the Town.

A. Reporting Entity

The Town, which was incorporated in 1713, is located on the western edge of Norfolk County and is centrally located between the cities of Boston and Worcester, Massachusetts and Providence, Rhode Island. The Town uses an open town meeting format of government with an elected five-member Select Board and an appointed Town Manager, who oversees the Town’s executive and administrative duties.

The Town provides governmental services for the territory within its boundaries, including education, public safety, public works, health and human services, culture and recreation and general governmental services. Additionally, the Town owns and operates water, sewer and solid waste operations; each of which are funded through user charges and treated as business enterprises in these basic financial statements.

Component units, while separate entities, are in substance part of the governmental operations if the significance of their operations and/or financial relationship with the Town meet certain criteria. Pursuant to these criteria there are no component units required to be included in the Town’s basic financial statements.

B. Government-Wide and Fund 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. The effect of material 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.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor governmental funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Major funds must be reported if both of the following criteria are met:

- 1) The total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10% of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), and
- 2) The total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding element for all governmental and enterprise funds combined.

In addition, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded when incurred. Property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The effect of material interfund activity has been removed from the government-wide financial statements.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e., 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. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due, certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

The Town applies the susceptible to accrual criteria to intergovernmental revenues. In applying the susceptible to accrual concept, there are two types of revenues. In the first, monies must be expended for a specific purpose or project before any amounts will be paid; therefore, revenues are recognized as expenditures are incurred. In the second, funds are virtually unrestricted and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues when cash is received, or earlier if the susceptible to accrual criteria are met. State aid is accrued as revenue in the year that the funds are appropriated by the Commonwealth of Massachusetts (the "Commonwealth").

The Town considers property tax revenues to be available if they are both material and collected within sixty days after the end of the fiscal year. Investment income associated with the current fiscal period is susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received and are recognized as revenue at that time.

The government reports the following major governmental funds:

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.

Community Preservation Fund – is used to account for specific activities related to community preservation: open space, historic preservation and affordable housing purposes.

Capital Project Funds – is used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

Nonmajor Governmental Funds – consist of other special revenue and permanent funds that are aggregated and presented in the nonmajor governmental funds column on the governmental funds financial statements. The following describes the general use of these fund types:

Special Revenue Funds – are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Permanent Funds – are used to account for financial resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

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 the 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 are user charges and fees, while operating expenses consist of salaries, ordinary maintenance, assessments, indirect costs and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Town reports its sewer, water and solid waste (a nonmajor fund) operations as major proprietary funds.

Fiduciary fund financial statements are reported using the economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity and cannot be used to support the governmental programs. The Town reports its other postemployment benefits (“OPEB”) trust fund and private purpose trust fund as fiduciary funds. The OPEB trust is used to account for funds accumulated by the Town to assist it in its future payment of postemployment benefits to retirees such as medical and life insurance, but specifically excludes pension benefits. The private purpose trust fund is used to account for various trusts established to the benefit of students, individuals, private organizations and other third parties, not the Town.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Equity

Deposits and Investments – The Town’s cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The Town reports investments at fair value. When actively quoted observable prices are not available, the Town generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. This hierarchy is based on valuation inputs used to measure the fair value of the asset or liability. The three levels of the hierarchy are as follows:

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.
- *Level 2* – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the investment through correlation with market data at the measurement date and for the duration of the instrument’s anticipated life.
- *Level 3* – Inputs reflect the Town’s best estimate of what market participants would use in pricing the investment at the measurement date.

Receivables – Real estate and personal property taxes are assessed on January 1 each year. Bills are sent semiannually with quarterly due dates of August 1, November 1, February 1, and May 1. Interest accrues on delinquent taxes up to the maximum statutory rate per annum. Property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate taxes and water, sewer and other user fees may be secured through a lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible balances for these receivables is not reported. All personal property tax, excise tax and other departmental receivables are shown net of an allowance for uncollectible balances comprised of those outstanding amounts greater than five years old.

Inventories and Prepaid Items – Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase. Certain payments to vendors reflect costs applicable to future accounting periods and may be recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All purchases and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected lives of greater than two years. 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.

Capital assets (excluding land and construction in-progress) are depreciated by the Town and the Electric Department on a straight-line-basis. The estimated useful lives of capital assets being depreciated are as follows:

Buildings and improvements	20 – 40 years
Infrastructure	30 – 75 years
Vehicles, machinery and equipment	5 – 10 years

Interfund Balances – Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either due to/from other funds or advances to/from other funds. All other outstanding balances between funds are reported as due to/from other funds.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Interfund Transfers – During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out in the individual fund statements. Transfers between and within governmental and fiduciary funds are eliminated from the governmental activities in the statement of activities.

Any residual balances outstanding between the governmental activities and the business-type activities are reported in the statement of activities as transfers, net.

Investment Income – Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by state law. Investment income of the proprietary funds may be voluntarily assigned to the general fund.

Compensated Absences – It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures. Amounts related to these benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured.

Long-Term Debt – Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Premiums received on a debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are exclusively reported as general government expenditures regardless of whether they are withheld from the actual proceeds.

Risk Financing – The Town insures for workers' compensation, health, unemployment benefits, casualty, theft and other losses. Uninsured losses are recorded as expenditures when incurred.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports deferred outflows of resources in its government-wide financial statements relative to its net OPEB and pension liabilities, which it expects to amortize into expense over the next five years. The Town does not report deferred outflows of resources in its governmental funds financial statements.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports deferred inflows of resources in its government-wide financial statements relative to net OPEB and pension liabilities, which it expects to amortize against expense over the next five years. The Town reports unavailable revenues as deferred inflows of resources in its governmental funds financial statements, which it will recognize as revenues when these items become available.

Net Position – In the government-wide financial statements, net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital related debt.

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific use. Net position has been restricted for the following:

Nonexpendable perpetual funds represent the endowment portion of donor restricted trusts that support governmental programs.

Expendable perpetual funds represent the spendable portion of donor restricted trusts that support governmental programs.

Community preservation represents funds restricted for open space, historic preservation and affordable housing.

Gifts and donations represent funds restricted for use by donors.

Receipts reserved for appropriation represent special revenue funds that require approval of the governing body for appropriation.

Other purposes represent assets that are restricted by donors or the Town for specific governmental programs and uses, revolving funds and federal and state grants.

Fund Equity – The Town presents fund balances in its governmental funds financial statements using classifications that comprise a hierarchy based primarily on the extent in which the Town is required to honor constraints on the specific purpose for which amounts in the funds can be spent.

Fund balance is reported in five components – nonspendable, restricted, committed, assigned, and unassigned as described below:

Nonspendable represents amounts that cannot be spent because they are either (a) not in spendable form (i.e., inventory or prepaid items) or (b) legally or contractually required to be maintained intact such as the corpus of an endowment.

Restricted represents amounts that have constraints placed either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Town to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed represents amounts that can only be used for specific purposes pursuant to formal action of the Town's highest level of decision-making authority, which is the Town Meeting action, and can be modified or rescinded through these actions.

Assigned represents amounts that are constrained by the Town's intent to be used for specific purposes but are neither restricted nor committed.

Unassigned represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the Town's policy to use committed resources first, then assigned, and then unassigned as they are needed.

E. Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

II. Detailed Notes to All Funds

A. Deposits and Investments

A cash and investment pool is maintained and is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as cash and cash equivalents. The deposits and investments of trust funds are held separately from those of other funds.

State laws and regulations require the Town to invest funds only in preapproved investment instruments which, include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements and investments in the Massachusetts Municipal Depository Trust, which is administered by the Treasurer of the Commonwealth. In addition, the statutes impose various limitations on the amount and length of investments and deposits.

Custodial Credit Risk: Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. In practice, the Town deposits its excess cash resources in financial institutions with proven financial strength, capital adequacy and, in many cases, which maintain excess depository insurance for deposits exceeding the \$250,000 Federal Depository Insurance Corporation (the "FDIC") insurance threshold. At June 30, 2023, \$8,504,777 in Town deposits not insured by the FDIC or additional depository insurance.

Custodial Credit Risk: Investments – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings. All the Town's investments are registered in its name and cannot be pledged or assigned. The Town is not exposed to custodial credit risk on its investments.

Fair Value Measurements: Investments – The following table presents the Town's investments carried at fair value on a recurring basis in at June 30, 2023:

<u>Investments by Fair Value Level</u>	<u>June 30, 2023</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt securities:				
U.S. Treasury notes	\$ 8,352,926	\$ 8,352,926	\$ -	\$ -
U.S. Government agency obligations	34,957	-	34,957	-
Corporate bonds	134,689	-	134,689	-
Total debt securities	8,522,572	8,352,926	169,646	-
Equity securities	1,384,257	1,384,257	-	-
Mutual funds	974,867	-	974,867	-
Total Investments by Fair Value Level	<u>\$ 10,881,696</u>	<u>\$ 9,737,183</u>	<u>\$ 1,144,513</u>	<u>\$ -</u>

Interest Rate Risk: Investments – This is the risk that changes in interest rates will adversely affect the fair value of an investment. In general, the longer the maturity of an investment, the more sensitive it is to changes in market interest rates. The following table presents the Town’s investments and maturities at June 30, 2023:

<u>Investments</u>	<u>Fair Value</u>	<u>Time Until Maturity (in years)</u>		
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>
Debt securities:				
U.S. Government obligations	\$ 8,387,883	\$ 4,208,333	\$ 4,122,268	\$ 57,282
Corporate bonds	<u>134,689</u>	<u>-</u>	<u>134,689</u>	<u>-</u>
Total investments with maturities	<u>8,522,572</u>	<u>\$ 4,208,333</u>	<u>\$ 4,256,957</u>	<u>\$ 57,282</u>
Other investments:				
Equity securities	1,384,257			
Mutual funds	<u>974,867</u>			
Total Investments	<u>\$ 10,881,696</u>			

Credit Risk: Investments – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The following table summarizes the credit ratings assigned by Moody’s Investors Service for Town investments in fixed income securities at June 30, 2023:

<u>Credit Rating</u>	<u>U.S.</u>	
	<u>Government Obligations</u>	<u>Corporate Bonds</u>
Aaa	\$ 8,387,883	\$ 19,206
Aa2	-	14,197
Aa3	-	86,573
A1	<u>-</u>	<u>14,713</u>
	<u>\$ 8,387,883</u>	<u>\$ 134,689</u>

Concentration of Credit Risk: Investments – The Town’s investment in U.S. Treasury notes represented approximately 77% of its total investments. No other individual investment represented more than 5% of the Town’s total investments at June 30, 2023.

B. Receivables

Receivables as of June 30, 2023 for the Town's individual and nonmajor governmental funds in the aggregate, including applicable allowances for uncollectible accounts, were as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Property taxes	\$ 721,007	\$ (17,750)	\$ 703,257
Tax liens	1,052,240	-	1,052,240
Motor vehicle excise taxes	228,171	(91,500)	136,671
Ambulance	282,933	(89,500)	193,433
Departmental	194,476	-	194,476
Intergovernmental	677,498	-	677,498
	<u>\$ 3,156,325</u>	<u>\$ (198,750)</u>	<u>\$ 2,957,575</u>

Receivables as of June 30, 2023 for the Town's proprietary funds were as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Sewer user charges	\$ 569,998	\$ (5,000)	\$ 564,998
Sewer betterments	298,908	-	298,908
Water user charges	1,285,127	(5,000)	1,280,127
Solid waste user charges	302,972	(1,000)	301,972
	<u>\$ 2,457,005</u>	<u>\$ (11,000)</u>	<u>\$ 2,446,005</u>

Governmental funds report unavailable revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The following table identifies the components of unavailable revenues in the governmental funds:

	General Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 697,167	\$ 6,090	\$ -	\$ 703,257
Tax liens	1,045,245	6,995	-	1,052,240
Motor vehicle excise taxes	136,671	-	-	136,671
Departmental	4,974	-	77,964	82,938
Ambulance	-	-	193,433	193,433
	<u>\$ 1,884,057</u>	<u>\$ 13,085</u>	<u>\$ 271,397</u>	<u>\$ 2,168,539</u>

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 25,791,418	\$ 4,900,774	\$ -	\$ 30,692,192
Construction in-progress	-	98,639	-	98,639
Total capital assets not being depreciated	<u>25,791,418</u>	<u>4,999,413</u>	<u>-</u>	<u>30,790,831</u>
Capital assets being depreciated:				
Buildings and improvements	131,094,568	557,513	-	131,652,081
Infrastructure	41,921,214	3,687,762	-	45,608,976
Machinery and equipment	13,212,846	495,308	(316,182)	13,391,972
Vehicles	<u>4,058,617</u>	<u>273,883</u>	<u>(237,798)</u>	<u>4,094,702</u>
Total capital assets being depreciated	<u>190,287,245</u>	<u>5,014,466</u>	<u>(553,980)</u>	<u>194,747,731</u>
Less accumulated depreciation for:				
Buildings and improvements	(46,275,174)	(3,289,073)	-	(49,564,247)
Infrastructure	(27,979,472)	(1,052,793)	-	(29,032,265)
Machinery and equipment	(8,214,867)	(754,276)	316,182	(8,652,961)
Vehicles	<u>(2,625,431)</u>	<u>(364,629)</u>	<u>237,798</u>	<u>(2,752,262)</u>
Total accumulated depreciation	<u>(85,094,944)</u>	<u>(5,460,771)</u>	<u>553,980</u>	<u>(90,001,735)</u>
Total capital assets being depreciated, net	<u>105,192,301</u>	<u>(446,305)</u>	<u>-</u>	<u>104,745,996</u>
Governmental Activities Capital Assets, Net	<u>\$ 130,983,719</u>	<u>\$ 4,553,108</u>	<u>\$ -</u>	<u>\$ 135,536,827</u>

Depreciation expense was charged to governmental activities' functions/programs as follows:

General government	\$ 322,897
Public safety	558,646
Education	2,360,820
Public works	1,769,590
Health and human services	9,582
Culture and recreation	<u>439,236</u>
	<u>\$ 5,460,771</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities: Combined:</u>				
Capital assets not being depreciated:				
Land	\$ 614,836	\$ -	\$ -	\$ 614,836
Construction in-progress	6,420,364	13,919,878	-	20,340,242
Total capital assets not being depreciated	7,035,200	13,919,878	-	20,955,078
Capital assets being depreciated:				
Infrastructure	60,266,019	-	-	60,266,019
Machinery and equipment	1,796,759	-	-	1,796,759
Vehicles	572,747	-	-	572,747
Total capital assets being depreciated	62,635,525	-	-	62,635,525
Less accumulated depreciation for:				
Infrastructure	(30,027,514)	(1,029,530)	-	(31,057,044)
Machinery and equipment	(1,310,167)	(133,426)	-	(1,443,593)
Vehicles	(480,426)	(46,339)	-	(526,765)
Total accumulated depreciation	(31,818,107)	(1,209,295)	-	(33,027,402)
Total capital assets being depreciated, net	30,817,418	(1,209,295)	-	29,608,123
Business-Type Activities Capital Assets, Net	<u>\$ 37,852,618</u>	<u>\$ 12,710,583</u>	<u>\$ -</u>	<u>\$ 50,563,201</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities: Sewer</u>				
Capital assets being depreciated:				
Infrastructure	\$ 19,904,694	\$ -	\$ -	\$ 19,904,694
Machinery and equipment	137,224	-	-	137,224
Vehicles	261,201	-	-	261,201
Total capital assets being depreciated	20,303,119	-	-	20,303,119
Less accumulated depreciation for:				
Infrastructure	(9,746,021)	(364,579)	-	(10,110,600)
Machinery and equipment	(137,224)	-	-	(137,224)
Vehicles	(200,324)	(23,693)	-	(224,017)
Total accumulated depreciation	(10,083,569)	(388,272)	-	(10,471,841)
Total capital assets being depreciated, net	10,219,550	(388,272)	-	9,831,278
Total Sewer	<u>\$ 10,219,550</u>	<u>\$ (388,272)</u>	<u>\$ -</u>	<u>\$ 9,831,278</u>
				(continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities: Water</u>				
Capital assets not being depreciated:				
Land	\$ 614,836	\$ -	\$ -	\$ 614,836
Construction in-progress	6,420,364	13,919,878	-	20,340,242
Total capital assets not being depreciated	7,035,200	13,919,878	-	20,955,078
Capital assets being depreciated:				
Infrastructure	40,361,325	-	-	40,361,325
Machinery and equipment	1,659,535	-	-	1,659,535
Vehicles	311,546	-	-	311,546
Total capital assets being depreciated	42,332,406	-	-	42,332,406
Less accumulated depreciation for:				
Infrastructure	(20,281,493)	(664,951)	-	(20,946,444)
Machinery and equipment	(1,172,943)	(133,426)	-	(1,306,369)
Vehicles	(280,102)	(22,646)	-	(302,748)
Total accumulated depreciation	(21,734,538)	(821,023)	-	(22,555,561)
Total capital assets being depreciated, net	20,597,868	(821,023)	-	19,776,845
Total Water	<u>\$ 27,633,068</u>	<u>\$ 13,098,855</u>	<u>\$ -</u>	<u>\$ 40,731,923</u>
				(concluded)

D. Interfund Transfers

The composition of interfund transfers for the fiscal year ended June 30, 2023 was as follows:

Transfers Out	Transfers In			Total
	General Fund	Nonmajor Governmental Funds	Water Enterprise Fund	
General Fund	\$ -	\$ 2,824	\$ -	\$ 2,824 (1)
Nonmajor Governmental Funds	857,921	-	300,000	1,157,921 (2)
Sewer Enterprise Fund	229,146	-	-	229,146 (3)
Water Enterprise Fund	204,082	-	-	204,082 (4)
Solid Waste Fund	51,668	-	-	51,668 (4)
	<u>\$ 1,342,817</u>	<u>\$ 2,824</u>	<u>\$ 300,000</u>	<u>\$ 1,645,641</u>

- (1) Miscellaneous transfer.
- (2) Transfers to the general fund were primarily budgeted transfers from receipts reserved for appropriation. Transfers to water enterprise fund from donation account.
- (3) Transfer of \$181,000 to assist in funding shared capital and \$48,146 for debt service.
- (4) Transfer of funds for debt service.

E. Short-Term or Temporary Debt

The Town is authorized to borrow on a short-term or temporary basis to fund current operating costs (generally through revenue or tax anticipation notes) or capital projects (generally through grant anticipation notes or bond anticipation notes). Short-term or temporary notes are general obligations of the Town and carry maturity dates that are limited by state law. Interest expenditures and expenses for short-term or temporary borrowings are generally accounted for in the general fund and enterprise funds, respectively.

The following summarizes the Town's short-term or temporary borrowings for the fiscal year ended June 30, 2023:

Type	Interest Rate	Maturity Date	Beginning Balance	Increases	Decreases	Ending Balance
MCWT interim note payable	0.00%	n/a	\$ 67,265	\$ 28,000	\$ -	\$ 95,265
Bond anticipation note payable	0.35%	matured	135,000	-	(135,000)	-
Bond anticipation note payable	2.00%	matured	350,000	-	(350,000)	-
			<u>\$ 552,265</u>	<u>\$ 28,000</u>	<u>\$ (485,000)</u>	<u>\$ 95,265</u>

The outstanding amounts on the MCWT interim note payable were issued for septic programs. The Town has the ability to draw an additional \$104,735 from the Massachusetts Clean Water Trust (the "MCWT") as part of a \$200,000 July 2016 loan commitment between the parties.

F. Long-Term Liabilities

The Town issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities and equipment. General obligation bonds and notes have been issued for both governmental and business-type activities. Additionally, the Town incurs various other long-term obligations primarily related to personnel costs. The following tables reflects the current year activity in the long-term liability accounts:

Description of Issue	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
General obligation bonds	\$ 31,155,000	\$ 5,150,000	\$ (3,255,000)	\$ 33,050,000	\$ 3,445,000
Unamortized bond premium	1,139,872	505,000	(162,667)	1,482,205	197,227
Direct borrowings and placements	157,760	-	(13,532)	144,228	13,546
Compensated absences	387,109	65,142	(24,534)	427,717	106,929
Net OPEB liability	32,593,358	13,945,428	(12,530,205)	34,008,581	-
Net pension liability	13,253,123	13,341,792	(5,783,248)	20,811,667	-
Total Governmental Activities	<u>\$ 78,686,222</u>	<u>\$ 33,007,362</u>	<u>\$ (21,769,186)</u>	<u>\$ 89,924,398</u>	<u>\$ 3,762,702</u>

Description of Issue	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<i>Business-Type Activities:</i>					
Sewer:					
General obligation bonds	\$ 1,135,000	\$ -	\$ (185,000)	\$ 950,000	\$ 150,000
Compensated absences	4,620	1,016	-	5,636	1,409
Net OPEB liability	57,653	24,792	(19,443)	63,002	-
Net pension liability	168,830	169,959	(73,672)	265,117	-
Total Sewer	1,366,103	195,767	(278,115)	1,283,755	151,409
Water:					
General obligation bonds	11,325,000	17,480,000	(860,000)	27,945,000	1,455,000
Unamortized bond premium	365,346	1,250,000	(85,638)	1,529,708	124,186
Direct borrowings and placements	2,379,076	-	(147,463)	2,231,613	150,669
Compensated absences	37,176	3,370	-	40,546	10,137
Net OPEB liability	583,563	226,461	(202,973)	607,051	-
Net pension liability	548,696	552,368	(239,434)	861,630	-
Total Water	15,238,857	19,512,199	(1,535,508)	33,215,548	1,739,992
Solid Waste:					
Compensated absences	9,225	-	(5,925)	3,300	825
Net OPEB liability	98,962	37,652	(35,246)	101,368	-
Net pension liability	98,484	99,143	(42,976)	154,651	-
Total Solid Waste	206,671	136,795	(84,147)	259,319	825
Total Business-Type Activities	\$ 16,811,631	\$ 19,844,761	\$ (1,897,770)	\$ 34,758,622	\$ 1,892,226

The governmental activities liabilities will be liquidated by the general fund. The business-type liabilities will be liquidated by the respective enterprise funds.

General obligation bonds and notes payable outstanding at June 30, 2023 were as follows:

Description	Interest Rate	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>					
General obligation bonds	1.00 - 5.00%	\$ 31,155,000	\$ 5,150,000	\$ (3,255,000)	\$ 33,050,000
MCWT Notes	2.00%	157,760	-	(13,532)	144,228
		31,312,760	5,150,000	(3,268,532)	33,194,228
Add: unamortized bond premium		1,139,872	505,000	(162,667)	1,482,205
Total Governmental Activities, net		\$ 32,452,632	\$ 5,655,000	\$ (3,431,199)	\$ 34,676,433
<i>Business-Type Activities - Sewer:</i>					
General obligation bonds	2.00 - 5.0%	\$ 1,135,000	\$ -	\$ (185,000)	\$ 950,000
<i>Business-Type Activities - Water:</i>					
General obligation bonds	1.00 - 5.00%	11,325,000	17,480,000	(860,000)	27,945,000
MCWT Notes	2.00%	2,379,076	-	(147,463)	2,231,613
		13,704,076	17,480,000	(1,007,463)	30,176,613
Add: unamortized bond premium		365,346	1,250,000	(85,638)	1,529,708
Total Water		14,069,422	18,730,000	(1,093,101)	31,706,321
Total Business-Type Activities, net		\$ 15,204,422	\$ 18,730,000	\$ (1,278,101)	\$ 32,656,321

Debt service requirements on long-term debt at June 30, 2023 are as follows:

Year Ended June 30,	Governmental Activities			
	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2024	\$ 3,445,000	\$ 1,058,708	\$ 13,546	\$ 90
2025	3,405,000	944,784	9,962	-
2026	3,400,000	824,014	9,977	-
2027	2,755,000	711,092	9,992	-
2028	2,615,000	611,621	10,007	-
2029 - 2033	10,415,000	1,855,470	50,262	-
2034 - 2038	4,545,000	722,749	40,482	-
2039 - 2043	2,470,000	166,300	-	-
	<u>\$ 33,050,000</u>	<u>\$ 6,894,738</u>	<u>\$ 144,228</u>	<u>\$ 90</u>

Year Ended June 30,	Business-Type Activities: Combined			
	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2024	\$ 1,605,000	\$ 1,061,927	\$ 150,669	\$ 44,412
2025	1,590,000	999,359	153,942	41,394
2026	1,545,000	938,994	157,288	38,310
2027	1,540,000	879,327	160,708	35,159
2028	1,460,000	821,207	164,200	31,940
2029 - 2033	6,200,000	3,353,796	876,106	108,908
2034 - 2038	5,060,000	2,402,504	538,274	24,396
2039 - 2043	4,120,000	1,508,216	30,426	304
2044 - 2048	2,900,000	867,000	-	-
2049 - 2053	2,875,000	289,000	-	-
	<u>\$ 28,895,000</u>	<u>\$ 13,121,330</u>	<u>\$ 2,231,613</u>	<u>\$ 324,823</u>

Year Ended June 30,	Business-Type Activities: Sewer			
	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2024	\$ 150,000	\$ 32,994	\$ -	\$ -
2025	150,000	27,800	-	-
2026	130,000	22,538	-	-
2027	130,000	17,612	-	-
2028	130,000	12,631	-	-
2029 - 2030	260,000	10,138	-	-
	<u>\$ 950,000</u>	<u>\$ 123,713</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

Business-Type Activities: Water				
Year Ended June 30,	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2024	\$ 1,455,000	\$ 1,028,933	\$ 150,669	\$ 44,412
2025	1,440,000	971,559	153,942	41,394
2026	1,415,000	916,456	157,288	38,310
2027	1,410,000	861,715	160,708	35,159
2028	1,330,000	808,576	164,200	31,940
2029 - 2033	5,940,000	3,343,658	876,106	108,908
2034 - 2038	5,060,000	2,402,504	538,274	24,396
2039 - 2043	4,120,000	1,508,216	30,426	304
2044 - 2048	2,900,000	867,000	-	-
2049 - 2053	2,875,000	289,000	-	-
	<u>\$ 27,945,000</u>	<u>\$ 12,997,617</u>	<u>\$ 2,231,613</u>	<u>\$ 324,823</u>
				(concluded)

Authorized and unissued debt at June 30, 2023 included:

Project	Amount
Urban renewal projects	\$ 2,515,000
Water treatment plant	2,750,000
Lead water line study	140,000
	<u>\$ 5,405,000</u>

G. Fund Balances

The components of fund balances as listed in aggregate in the governmental funds balance sheet at June 30, 2023 are as follows:

	General Fund	Community Preservation Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Nonexpendable perpetual funds	\$ -	\$ -	\$ -	\$ 110,869	\$ 110,869
Restricted:					
Expendable perpetual funds	-	-	-	625,623	625,623
Debt service reserve	338,663	-	-	-	338,663
Community preservation	-	4,629,339	-	-	4,629,339
Capital projects	-	-	455,293	-	455,293
Special revenue funds	-	-	-	8,537,506	8,537,506
Committed:					
General government	409,046	-	-	-	409,046
Public safety	29,712	-	-	-	29,712
Education	679,624	-	-	-	679,624
Public works	875,446	-	-	-	875,446
Culture and recreation	121,486	-	-	-	121,486
Capital stabilization funds	8,348,254	-	-	-	8,348,254
Other stabilization funds	613,198	-	-	-	613,198
Assigned:					
Public safety	192,365	-	-	-	192,365
Education	193,272	-	-	-	193,272
Subsequent years' budget	2,739,311	-	-	-	2,739,311
Other purposes	116,180	-	-	-	116,180
Unassigned:					
General stabilization funds	4,508,208	-	-	-	4,508,208
Unrestricted	7,608,817	-	(9,334)	(173,839)	7,425,644
	<u>\$ 26,773,582</u>	<u>\$ 4,629,339</u>	<u>\$ 445,959</u>	<u>\$ 9,100,159</u>	<u>\$ 40,949,039</u>

Stabilization Funds – The Town maintains several stabilization funds. Each stabilization fund requires a two-thirds vote from the Town Meeting to release these reserved funds. The Town reports the general stabilization fund in its unassigned fund balance in its general funds. The capital and other specific-purpose stabilization funds are reported as components of the committed fund balance in the general fund.

Encumbrances – The Town's encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal purchasing activity approved by the Town Controller as assigned, and (2) classify encumbrances that result from an action of the Town Council as committed. Encumbrances of funds already restricted or committed are included within the classification of those fund balances and not reported separately. The Town reports \$501,817 of encumbrances from normal purchasing activity in the general fund as assigned. There are no encumbrances reported in any other fund.

I. Excess of Expenditures Over Appropriations and Deficits

The Town did not report any expenditures over appropriations in fiscal year 2023.

The Town reported deficits of \$9,334 and \$173,839, respectively, in its capital projects fund and nonmajor governmental funds at June 30, 2023. The Town expects these deficits will be cured through future intergovernmental receipts, budget transfers or the issuance of general obligation bonds.

III. Other Information

A. Retirement System

Pension Plan Description – The Town contributes to the Norfolk County Retirement System (the “Retirement System”), a cost-sharing multiple-employer defined benefit pension plan. The Retirement System was established under Chapter 32 of Massachusetts General Laws (“MGL”). The Retirement System is administered by the Norfolk County Retirement Board (the “Retirement Board”). Stand-alone audited financial statements for the year ended December 31, 2022 were issued and are available by submitting a request to the Retirement System at 480 Neponset Street, Building No. 15, Canton, Massachusetts 02021.

Current membership in the Retirement System for all forty-two participating employers as of December 31, 2022 was as follows:

Active members	6,902
Inactive members	3,399
Retirees and beneficiaries	<u>3,855</u>
	<u>14,156</u>

Benefit Terms – Membership in the Retirement System is mandatory for all full-time employees and nonseasonal, part-time employees who, in general, regularly work more than twenty hours per week. Teachers and certain administrative personnel employed by the school department participate in a separate pension plan administered by the Massachusetts Teachers’ Retirement System, which is the legal responsibility of the Commonwealth of Massachusetts. Members of the Retirement System do not participate in the federal Social Security retirement system.

Massachusetts contributory retirement system benefits are uniform throughout the Commonwealth. The Retirement System provides for retirement allowance benefits up to a maximum of 80% of a participant’s highest three-year or five-year average annual rate of regular compensation, depending on the participant’s date of hire. Benefit payments are based upon a participant’s age, length of creditable service, level of compensation and job classification.

The most common benefits paid by the Retirement System include normal retirement, disability retirement and survivor benefits.

- Normal retirement generally occurs at age 65. However, participants may retire after twenty years of service or at any time after attaining age 55, if hired prior to April 2, 2012, or at any time after attaining age 60 if hired on or after April 2, 2012. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years’ creditable

service in order to retire at age 55. Participants become vested after ten years of creditable service. Benefits commencing before age 65 are provided at a reduced rate. Members working in certain occupations may retire with full benefits earlier than age 65.

- Ordinary disability retirement is where a participant is permanently incapacitated from a cause unrelated to employment. Accidental disability retirement is where the disability is the result of an injury or illness received or aggravated in the performance of duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of creditable service, average compensation and veteran status.
- Survivor benefits are extended to eligible beneficiaries of participants whose death occurs prior to or following retirement.

Cost-of-living adjustments granted to members of Massachusetts retirement systems granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth during those years have been the financial responsibility of the Commonwealth. Beginning in 1998, the funding of cost-of-living amounts became the responsibility of the participating units like the Retirement System.

The Retirement System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws. There were no significant changes to the Retirement System's benefit terms in the current fiscal year.

Contributions Requirements – Under current MGL participating employers are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method. The Retirement System is required to be fully funded by June 30, 2040.

The Town contributed \$3,510,400 to the Retirement System in fiscal year 2023, which equaled its actuarially-determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll were approximately 24% in fiscal year 2023.

Net Pension Liability – At June 30, 2023, the Town reported a liability of \$22,093,065 for its proportionate share of the net pension liability. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022 and rolled forward to December 31, 2022, the measurement date. There were no material changes to the Retirement System's benefit terms since the actuarial valuation. There were no material changes in assumption made in this update to from the full actuarial valuation.

The Town's proportion of the net pension liability is based on a projection of the Town's long-term share of contributions to the Retirement System relative to the projected contributions of all employers. The Town's proportion was approximately 3.82% at December 31, 2022 and 2021.

Fiduciary Net Position – The elements of the Retirement System’s basic financial statements (that is, all information about the Retirement System’s assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position) can be found in the Retirement System’s full financial statements as of and for the year ended December 31, 2022, which can be obtained by contacting the Retirement Board.

The Retirement System’s fiduciary net position was determined using the accrual basis of accounting. The Retirement System’s accounting records are maintained on a calendar-year basis in accordance with the standards and procedures established by the Massachusetts Public Employee Retirement Administration Commission, or PERAC. Contributions from employers and employees are recognized in the period in which they become due pursuant to formal commitments, statutory or contractual requirements. Benefit payments (including refunds of employee contributions) are recorded when incurred, regardless of the timing of payment. Investments are reported at fair value; fair value is determined as the price one would receive in an orderly transaction between market participants at a measurement date.

Pension Expense – The Town recognized \$3,194,843 in pension expense in the statement of activities in fiscal year 2023.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 727,243	\$ -
Net difference between projected and actual earnings on pension plan investments	4,218,757	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	816,808	-
	<u>\$ 5,762,808</u>	<u>\$ -</u>

The net deferred outflows of resources at June 30, 2023 are expected to be recognized in the Town’s pension expense as follows:

Year ended June 30,

2024	\$ 945,622
2025	1,517,541
2026	1,185,901
2027	<u>2,113,744</u>
	<u>\$ 5,762,808</u>

Actuarial Valuation – The measurement of the Retirement System’s total pension liability is developed by an independent actuary. The significant actuarial assumptions used in the latest actuarial valuation included:

Actuarial Cost Method	Entry age normal cost method
Projected Salary Increases	3.5% to 5.5%
Cost of Living Adjustments	3.00% of the first \$18,000 of retirement income
Investment Rate of Return	7.75%
Pre-Retirement Mortality Rates	The RP-2014 Blue Collar Employee Mortality Table with Scale MP-2014, fully generational
Post-Retirement Mortality Rates	The RP-2014 Blue Collar Mortality Table, set forward 5 years for males and 3 years for females (Groups 1 and 2) and 3 years for males and 6 years for females (Group 4), fully generational
Disabled Retiree Mortality Rates	The RP-2000 Blue Collar Mortality Table set forward 6 years (Groups 1 and 2) and 2 years (Group 2); generational adjusting is based on Scale MP-2014

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 returns (expected returns, net of pension plan 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 weighing the expected future rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the Retirement System’s target allocation as of December 31, 2022 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	30.50%	7.00%
International equity	15.50%	7.70%
Fixed income	20.50%	4.30%
Real estate	9.50%	6.90%
Private equity	10.00%	9.40%
Hedge funds	11.50%	8.60%
Real estate	2.50%	8.90%

Discount Rate – The discount rate used to measure the total pension liability at December 31, 2022 was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially-determined contribution rates. Based on those assumptions, the Retirement System’s fiduciary 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 presents the Town’s proportionate share of the net pension liability calculated using the current discount rate as well as the Town’s proportionate share of the net pension liability using a discount rate that is 1% lower or higher than the current rate:

Current Discount Rate	Net Pension Liability At		
	1% Decrease	Current Rate	1% Increase
7.75%	\$ 29,348,806	\$ 22,093,065	\$ 15,924,762

B. Massachusetts Teachers’ Retirement System

Teachers and certain administrative employees of the Town’s school department participate in the Massachusetts Teachers’ Retirement System (“MTRS”), a cost-sharing, multiple employer defined benefit pension plan. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. Like the Retirement System, MTRS was established under Chapter 32 of MGL. The Commonwealth’s legislature has the authority to amend or modify the MTRS’s funding policies.

The Commonwealth is a nonemployer contributor to the MTRS and is legally responsible by statute for all actuarially determined employer contributions and future benefit requirements of the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GAAP.

For the year ended June 30, 2022 (the latest period for which MTRS has provided financial data), the Commonwealth contributed \$4,688,427 to the MTRS on behalf of the Town. The Town’s proportionate share of the collective MTRS net pension liability at this reporting date was approximately 0.22%, which was based on the actual, actuarially determined contribution made by the Commonwealth on behalf of the Town as a percentage of the total annual contribution made by the Commonwealth on behalf of all employers.

The net pension liability assumed by the Commonwealth on behalf of the Town was \$57,671,019 at June 30, 2022 (the latest period for which MTRS has provided financial data). The pension expense assumed by the Commonwealth on behalf of the Town was \$4,744,004 for the year ended June 30, 2022 (the latest period for which MTRS has provided financial data). This amount has been recognized by the Town as intergovernmental revenue and pension expense for the year ended June 30, 2023.

Additional information on MTRS can be found on its website.

C. Other Postemployment Benefits

The Town administers a single-employer defined benefit healthcare plan (the “OPEB Plan”). The OPEB Plan provides health and life insurance benefits (other postemployment benefits) to current and future retirees, their dependents and beneficiaries in accordance with Section 20 of Chapter 32B of MGL.

Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law and Town ordinance. All benefits are provided through the Town’s premium-based insurance program. The OPEB Plan does not issue a stand-alone financial report and is presented as a fiduciary fund in the Town’s financial statements. OPEB Plan disclosures can be found in this footnote disclosure.

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of June 30, 2023:

Inactive employees or beneficiaries receiving benefits	346
Active employees	<u>320</u>
	<u>666</u>

Contributions – The contribution requirements of OPEB Plan members and the Town are established and may be amended by the Town. Retirees contribute 50% of medical insurance premiums and 100% of dental and life insurance. The Town currently contributes enough money to the OPEB Plan to satisfy current obligations on a pay-as-you-go basis plus additional contributions, which were \$300,000 in fiscal year 2023. The costs of administering the OPEB Plan are paid by the Town. For the year ended June 30, 2023, the Town’s average contribution rate was approximately 5% of covered payroll.

Net OPEB Liability – The Town’s net OPEB liability was determined using an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2023 (the measurement date). The components of the net OPEB liability at June 30, 2023 were as follows:

Total other postemployment benefits liability	\$ 37,507,482
Less Plan fiduciary net position	<u>2,727,480</u>
Net other postemployment benefits liability	<u>\$ 34,780,002</u>
Plan fiduciary net position as a percentage of total other postemployment benefits liability	7.3%

The total OPEB liability in the most recent actuarial valuation was determined using the following key actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Individual entry age normal
Asset Valuation Method	Market value of assets as of reporting date
Healthcare Cost Trends	4.5%
Investment Rate of Return	5.93% (previously 6.16%)
Single Equivalent Discount Rate	5.53% (previously 5.70%)
Pre-retirement Mortality	RP-2014 Blue Collar Mortality Table projected generationally with scale MP-2016, set forward one year for females (non-teachers only); for teachers, the RP-2014 White Collar Mortality table was used
Post-retirement Mortality	RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with scale MP-2016, set forward one year for females (non-teachers only); for teachers, the RP-2014 White Collar Healthy Annuitant Table was used
Disabled Mortality	RP-2014 Blue Collar Healthy Annuitant Table projected generationally for scale MP-2016, set forward one year (non-teachers only); for teachers, the RP-2014 White Collar Healthy Annuitant Table was used

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 OPEB Plan 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 weighing the expected future real rates of return 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 asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equities - large cap	53.75%	4.10%
Domestic equities - small/mid cap	7.00%	4.55%
International equities - developed markets	7.75%	4.64%
International equities - emerging markets	4.25%	5.45%
Fixed income - domestic	18.75%	1.05%
Alternatives	3.25%	5.95%
Real estate	2.75%	6.25%
Cash	<u>2.50%</u>	<u>0.00%</u>
Total	<u>100.00%</u>	
Real rate of return		3.68%
Inflation assumption		<u>2.50%</u>
Total nominal return		6.18%
Less investment expense		<u>-0.25%</u>
Net investment return		<u>5.93%</u>

Discount Rate – The discount rate used to measure the total OPEB liability was 5.53% versus a discount rate of 5.70% in the previous actuarial report.

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2023:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2022	\$ 35,464,161	\$ 2,130,625	\$ 33,333,536
Changes for the year:			
Service cost	807,738	-	807,738
Interest	2,025,250	-	2,025,250
Changes in assumptions	713,548	-	713,548
Experience differences	-	-	-
Employer contributions	-	1,803,215	(1,803,215)
Net investment income	-	296,855	(296,855)
Benefit payments	(1,503,215)	(1,503,215)	-
Net changes	2,043,321	596,855	1,446,466
Balances at June 30, 2023	<u>\$ 37,507,482</u>	<u>\$ 2,727,480</u>	<u>\$ 34,780,002</u>

Sensitivity Analyses – The following presents the Town’s net OPEB liability at June 30, 2023 as well as what the Town’s net OPEB liability would be if it were calculated using a discount rate that is 1% lower or higher than the current discount rate:

Current Discount Rate	Net OPEB Liability At		
	1% Decrease	Current Rate	1% Increase
5.53%	\$ 40,020,935	\$ 34,780,002	\$ 30,527,575

The following presents the Town’s net OPEB liability as well as what the Town’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or higher than the current healthcare cost trend rates:

Current Trend Rate	Net OPEB Liability At		
	1% Decrease	Current Rate	1% Increase
4.50%	\$ 30,130,793	\$ 34,780,002	\$ 40,529,915

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2023, the Town recognized OPEB expense of \$1,623,552. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2023 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,622,824	\$ 1,935,367
Changes of assumptions	5,624,857	291,403
Net difference between projected and actual earnings on OPEB Plan investments	-	51,106
	<u>\$ 7,247,681</u>	<u>\$ 2,277,876</u>

Amounts reported as net deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,

2024	\$ 264,702
2025	1,653,657
2026	2,131,787
2027	868,026
2028	51,633
	<u>\$ 4,969,805</u>

Investment Custody – In accordance with MGL, the Town Treasurer is the custodian of the OPEB Plan.

Investment Policy – The OPEB Plan invests its funds in permissible investments as stipulated by the Commonwealth. OPEB Plan assets may be invested and reinvested by the custodian consistent with the prudent investor rule and may. OPEB Plan assets must be segregated from other funds and not be subject to the claims of any general creditor of the Town.

Investment Rate of Return – For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was approximately 12.4%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Risk Financing

The Town is exposed to various risks of loss related to general liability; torts; theft of, damage to and destruction of assets; errors and omissions; employment matter; environmental matters; and natural disasters for which the Town carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

E. Commitments and Contingencies

General – The Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability at June 30, 2023 cannot be determined, management believes that the resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2023.

Appellate Tax Board – The Town has pending cases filed with the Massachusetts Appellate Tax Board of the Commonwealth of Massachusetts (“ATB”). Assessed real estate values for ATB cases totaled approximately \$10.7 million at June 30, 2023. Assessed personal property values for ATB cases totaled over \$150.8 million at June 30, 2023, all of which pertained to personal property taxes with two utility companies. No provision has been made in the government-wide financial statements in the event that the Town is unsuccessful in ATB.

Grant Compliance – Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The Town expects such amounts, if any, to be immaterial.

Arbitrage – The Town is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties. The Town does not believe it has failed to comply with any of these agreements.

F. Economic Dependence

During the fiscal year ended June 30, 2023, approximately 24% of total general fund revenues were recognized from the Commonwealth or other governmental agencies.

IV. Implementation of Accounting Pronouncements

A. Current Year Implementations

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement was to standardize the reporting of conduit debt obligations by issuers by clarifying the existing definition of conduit debt obligation, among other matters. As amended, the provisions of this Statement became effective in fiscal year 2023. The adoption of this accounting standard did not have a material effect on the Town’s financial statements.

In March 2020, the GASB issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement was to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. The provisions of this Statement became effective in fiscal year 2023. The adoption of this accounting standard did not have a material effect on the Town’s financial statements.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement was to address accounting for subscription-based information technology arrangements to government end users based on the standards established in Statement No. 87, as amended. The provisions of this Statement became effective in fiscal year 2023. The adoption of this accounting standard did not have a material effect on the Town's financial statements.

B. Future Year Implementations

In June 2022, the GASB issued GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No 62*. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for decision making or assessing accountability. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2023 (fiscal year 2024). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2022, the GASB issued GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to update the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2023 (fiscal year 2025). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

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TOWN OF MEDWAY, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
TOWN PENSION PLAN**

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(dollar amounts are in thousands)

Year Ended June 30,	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	3.82%	\$ 22,093	\$ 14,356	153.9%	68.6%
2022	3.82%	14,069	13,870	101.4%	79.4%
2021	3.51%	17,951	12,819	140.0%	70.2%
2020	3.51%	20,601	12,385	166.3%	58.3%
2019	3.51%	22,820	10,910	209.2%	58.3%
2018	3.50%	19,346	10,541	183.5%	63.5%
2017	3.57%	18,648	10,646	175.2%	61.6%
2016	3.57%	17,951	9,768	183.8%	58.6%
2015	3.32%	17,193	9,196	187.0%	60.1%

SCHEDULE OF THE TOWN'S CONTRIBUTIONS TO THE PENSION PLAN
(dollar amounts are in thousands)

Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	\$ 3,510	\$ 3,510	\$ -	\$ 14,356	24.4%
2022	3,271	3,271	-	13,870	23.6%
2021	2,815	2,815	-	12,819	22.0%
2020	2,628	2,628	-	12,385	21.2%
2019	2,452	2,452	-	10,910	22.5%
2018	2,239	2,239	-	10,541	21.2%
2017	2,099	2,099	-	10,646	19.7%
2016	1,903	1,903	-	9,768	19.5%
2015	1,565	1,565	-	9,196	17.0%

These schedules are presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is completed, information is presented for those years in which information is available.

See accompanying independent auditors' report.

TOWN OF MEDWAY, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
MASSACHUSETTS TEACHERS RETIREMENT SYSTEM PENSION PLAN**

**SCHEDULE OF THE COMMONWEALTH'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**
(dollar amounts are in thousands)

For the Year Ended June 30, *	Commonwealth's Proportion of the MTRS Net Pension Liability	Town's Proportion of the MTRS Net Pension Liability	Commonwealth's Proportionate Share of the MTRS Net Pension Liability	Commonwealth's Actuarially Determined Contribution	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	100%	0%	\$ 57,671	\$ 4,688	57.8%
2022	100%	0%	52,518	4,044	52.0%
2021	100%	0%	67,657	3,682	50.7%
2020	100%	0%	67,870	3,886	53.9%
2019	100%	0%	57,948	3,213	54.8%
2018	100%	0%	56,598	3,056	54.3%
2017	100%	0%	60,893	3,063	52.7%
2016	100%	0%	53,635	2,675	55.4%
2015	100%	0%	42,198	2,488	61.6%

* Amounts determined for the previous year ended June 30.

Contributions to the MTRS are the responsibility of the Commonwealth of Massachusetts. Accordingly, the Town has not recognized any portion of the net pension liability relative to Town employees covered under the MTRS pension plan.

These schedules are presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is completed, information is presented for those years in which information is available.

See accompanying independent auditors' report.

TOWN OF MEDWAY, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN**

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

(dollar amounts are in thousands)

	Year Ended June 30,						
	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability:							
Service cost	\$ 808	\$ 485	\$ 468	\$ 452	\$ 859	\$ 1,131	\$ 1,736
Interest	2,025	1,559	1,513	1,518	1,781	1,276	1,289
Differences in experience	-	2,580	-	(8,229)	-	(4,578)	-
Changes in assumptions	713	8,019	-	(1,239)	(6,620)	-	-
Benefit payments	(1,503)	(1,342)	(1,240)	(1,165)	(1,125)	(1,056)	(1,054)
Net Change in Total OPEB Liability	2,043	11,301	741	(8,663)	(5,105)	(3,227)	1,971
Total OPEB Liability:							
Beginning of year	34,464	24,163	23,422	32,085	37,190	40,417	38,446
End of year (a)	\$ 36,507	\$ 35,464	\$ 24,163	\$ 23,422	\$ 32,085	\$ 37,190	\$ 40,417
Plan Fiduciary Net Position:							
Contributions	\$ 1,803	\$ 1,642	\$ 1,540	\$ 1,465	\$ 1,425	\$ 1,156	\$ 1,154
Net investment income (loss)	296	(175)	406	50	95	3	1
Benefit payments	(1,503)	(1,342)	(1,240)	(1,165)	(1,125)	(1,056)	(1,054)
Net Change in Plan Fiduciary Net Position	596	125	706	350	395	103	101
Plan Fiduciary Net Position:							
Beginning of year	2,131	2,006	1,300	950	555	452	351
End of year (b)	\$ 2,727	\$ 2,131	\$ 2,006	\$ 1,300	\$ 950	\$ 555	\$ 452
Net OPEB Liability — End of Year	\$ 33,780	\$ 33,333	\$ 22,157	\$ 22,122	\$ 31,135	\$ 36,635	\$ 39,965
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	7.5%	6.0%	8.3%	5.6%	3.0%	1.5%	1.1%
Covered payroll	\$ 33,574	\$ 32,596	\$ 26,896	\$ 26,113	\$ 21,905	\$ 21,267	\$ 19,594
Net OPEB Liability as a Percentage of Covered Payroll	100.6%	102.3%	82.4%	84.7%	142.1%	172.3%	204.0%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is completed, information is presented for those years in which information is available.

See accompanying independent auditors' report.

TOWN OF MEDWAY, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN**

SCHEDULE OF CONTRIBUTIONS

(dollar amounts are in thousands)

Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially- Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2023	\$ 2,420	\$ 1,803	\$ 617	\$ 33,574	5.4%
2022	2,062	1,642	420	32,596	5.0%
2021	1,618	1,540	78	26,896	5.7%
2020	2,043	1,465	578	26,113	5.6%
2019	2,738	1,425	1,313	21,905	6.5%
2018	3,231	1,156	2,075	21,267	5.4%
2017	3,685	1,254	2,431	19,594	6.4%

Notes to Schedule:

Valuation date	July 1, 2021
Asset valuation method	Market value of the assets as of the reporting date
Actuarial cost method	Individual entry age normal
Investment rate of return	5.93% (previously 6.16%)
Single equivalent discount rate	5.53% (previously 5.70%)
Healthcare cost trend rates	4.5%

SCHEDULE OF INVESTMENT RETURNS

Year Ended June 30,	Annual Money- Weighted Rate of Return (net of investment expenses)
2023	12.35%
2022	-7.68%
2021	25.87%
2020	4.07%
2019	11.41%
2018	0.55%
2017	0.00%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is completed, information is presented for those years in which information is available.

See accompanying independent auditors' report.

TOWN OF MEDWAY, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual		Actual	Positive
	Original Budget	Final Budget	Budgetary Amounts	Articles and Encumbrances	Budgetary Adjusted	(Negative) Variance
Revenues:						
Property taxes, net of tax refunds	\$ 47,427,938	\$ 47,427,938	\$ 47,354,669		\$ 47,354,669	\$ (73,269)
Intergovernmental	12,442,642	12,442,642	12,359,532		12,359,532	(83,110)
Motor vehicle and other excise taxes	2,071,076	2,071,076	2,731,901		2,731,901	660,825
Licenses and permits	325,000	325,000	764,250		764,250	439,250
Penalties and interest on taxes	80,000	80,000	97,824		97,824	17,824
Fines and forfeitures	20,000	20,000	7,555		7,555	(12,445)
Departmental and other revenues	599,024	599,024	1,238,519		1,238,519	639,495
Investment income	100,000	100,000	777,746		777,746	677,746
Total Revenues	63,065,680	63,065,680	65,331,996		65,331,996	2,266,316
Expenditures:						
General government	4,604,343	4,579,343	3,935,244	\$ 430,102	4,365,346	213,997
Public safety	7,383,219	7,383,219	6,941,795	222,077	7,163,872	219,347
Education	32,247,541	32,247,541	31,294,866	872,896	32,167,762	79,779
Public works	6,544,929	6,544,929	4,956,031	939,348	5,895,379	649,550
Health and human services	648,740	648,740	590,491	1,500	591,991	56,749
Culture and recreation	976,930	976,930	828,999	127,275	956,274	20,656
Pension and fringe benefits	11,865,970	11,890,970	10,593,211	23,933	10,617,144	1,273,826
State and county charges	953,051	953,051	800,639	-	800,639	152,412
Debt service	4,365,000	4,365,000	3,489,345	-	3,489,345	875,655
Total Expenditures	69,589,723	69,589,723	63,430,621	\$ 2,617,131	66,047,752	3,541,971
Other Financing Sources (Uses):						
Transfers in	1,548,382	1,548,382	1,887,303		1,887,303	338,921
Transfers out	(1,155,000)	(1,377,824)	(1,377,824)		(1,377,824)	-
Total Other Financing Sources (Uses)	393,382	170,558	509,479		509,479	338,921
(Deficiency) Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(6,130,661)	(6,353,485)	\$ 2,410,854		\$ (206,277)	\$ 6,147,208
Other Budgetary Items:						
Prior year articles and encumbrances	2,552,295	2,552,295				
Free cash	3,469,916	3,692,740				
Other items	108,450	108,450				
Total Other Budgetary Items	6,130,661	6,353,485				
Net Budget	\$ -	\$ -				

See notes to required supplementary information.

See accompanying independent auditors' report.

TOWN OF MEDWAY, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2023

An annual budget is legally adopted for the general fund. Generally, financial orders are initiated by the Town Manager, recommended by the Town Finance Committee and approved at Town Meeting. At the close of each fiscal year, unencumbered appropriation balances lapse and revert to unassigned fund balance.

The Town's general fund is prepared using the Uniform Municipal Accounting System basis of accounting as prescribed by the Massachusetts Department of Revenue, which is not GAAP. The "actual" results column of the Schedule of Revenues, Expenditures and Changes in Fund Equity – Budgetary Basis is presented on a budgetary basis to provide a meaningful comparison with the budget. A complete reconciliation is provided below:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues — budgetary basis			\$ 65,331,996
On behalf payments	\$ 4,744,004	\$ -	4,744,004
Stabilization interest	-	206,008	206,008
Revenues — GAAP basis	<u>\$ 4,744,004</u>	<u>\$ 206,008</u>	<u>\$ 70,282,008</u>
Expenditures — budgetary basis			\$ 63,430,621
Accounting for indirect costs	\$ -	\$ (735,382)	(735,382)
Transfer treatment - debt service	-	303,896	303,896
On behalf payments	4,744,004	-	4,744,004
Expenditures — GAAP basis	<u>\$ 4,744,004</u>	<u>\$ (431,486)</u>	<u>\$ 67,743,139</u>
Net transfers — budgetary basis			\$ 509,479
Accounting for indirect costs	\$ -	\$ (735,382)	(735,382)
Transfer treatment - debt service	-	303,896	303,896
Stabilization transfers	-	1,262,000	1,262,000
Net transfers — GAAP basis	<u>\$ -</u>	<u>\$ 830,514</u>	<u>\$ 1,339,993</u>