

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF MEDWAY, MASSACHUSETTS

Basic Financial Statements
and
Additional Information

Year Ended June 30, 2025



TOWN OF MEDWAY, MASSACHUSETTS

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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, 2025, 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, 2025 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 November 26, 2025 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
November 26, 2025

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, 2025. 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 \$155.9 million (total net position) at June 30, 2025. The Town's total net position increased by approximately \$7.7 million in fiscal year 2025.
- The net position in governmental activities increased nearly \$6.3 million, while the net position in business-type activities increased over \$1.4 million in fiscal year 2025.
- The Town continues to report a deficit in its unrestricted net position in its governmental activities. This deficit exceeded \$20.1 million at June 30, 2025. This deficit is due primarily to the recording of liabilities associated with the net OPEB and pension liabilities, which totaled over \$46.2 million at June 30, 2025 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.
- At June 30, 2025, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$46.0 million, which was approximately \$3.1 million greater than the prior year.
- Of the ending fund balance in the governmental funds at June 30, 2025, nearly \$13.9 million is available for spending at the Town's discretion as unassigned fund balance. The remainder is earmarked for specific expenditures.
- At June 30, 2025, unassigned fund balance for the general fund represented over 19% percent of total fiscal year 2025 general fund expenditures.
- The Town's total combined long-term debt in its governmental activities and business-type activities decreased approximately \$3.7 million in fiscal year 2025.

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 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, 2025</u>	<u>June 30, 2024</u>	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Assets:						
Current and other assets	\$ 53,809,645	\$ 50,065,973	\$ 10,172,272	\$ 10,346,340	\$ 63,981,917	\$ 60,412,313
Capital assets, net	<u>139,126,126</u>	<u>137,880,219</u>	<u>61,049,273</u>	<u>61,305,461</u>	<u>200,175,399</u>	<u>199,185,680</u>
Total Assets	<u>192,935,771</u>	<u>187,946,192</u>	<u>71,221,545</u>	<u>71,651,801</u>	<u>264,157,316</u>	<u>259,597,993</u>
Deferred Outflows of Resources	<u>9,781,069</u>	<u>14,541,641</u>	<u>470,032</u>	<u>714,428</u>	<u>10,251,101</u>	<u>15,256,069</u>
Liabilities:						
Long-term liabilities	70,595,285	75,603,761	30,267,824	31,071,211	100,863,109	106,674,972
Other liabilities	<u>9,274,667</u>	<u>8,727,407</u>	<u>2,637,502</u>	<u>3,896,041</u>	<u>11,912,169</u>	<u>12,623,448</u>
Total Liabilities	<u>79,869,952</u>	<u>84,331,168</u>	<u>32,905,326</u>	<u>34,967,252</u>	<u>112,775,278</u>	<u>119,298,420</u>
Deferred Inflows of Resources	<u>5,607,331</u>	<u>7,193,453</u>	<u>160,083</u>	<u>183,770</u>	<u>5,767,414</u>	<u>7,377,223</u>
Net Position:						
Net investment in capital assets	111,228,491	106,764,017	32,451,873	32,219,529	143,680,364	138,983,546
Restricted	26,146,220	22,265,661	-	-	26,146,220	22,265,661
Unrestricted	<u>(20,135,154)</u>	<u>(18,066,466)</u>	<u>6,174,295</u>	<u>4,995,678</u>	<u>(13,960,859)</u>	<u>(13,070,788)</u>
Total Net Position	<u>\$ 117,239,557</u>	<u>\$ 110,963,212</u>	<u>\$ 38,626,168</u>	<u>\$ 37,215,207</u>	<u>\$ 155,865,725</u>	<u>\$ 148,178,419</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 nearly \$7.7 million in fiscal year 2025. The net position in governmental activities increased nearly \$6.3 million, while the net position in business-type activities increased over \$1.4 million.

The largest portion the Town's overall net position (approximately \$143.7 million) reflects its investment in capital assets, less any related debt used to acquire those assets that are 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 \$26.1 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 \$14.0 million. This deficit balance is primarily the result of the reporting of over \$48.2 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	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 8,266,618	\$ 7,308,197	\$ 9,926,178	\$ 8,267,393	\$ 18,192,796	\$ 15,575,590
Operating grants and contributions	21,806,834	21,576,930	-	-	21,806,834	21,576,930
Capital grants and contributions	1,162,834	773,261	-	2,750,000	1,162,834	3,523,261
General revenues:						
Property taxes	52,130,552	50,191,633	-	-	52,130,552	50,191,633
Excise taxes	3,159,002	2,749,030	-	-	3,159,002	2,749,030
Intergovernmental	1,502,236	1,458,481	-	-	1,502,236	1,458,481
Other	2,071,140	2,232,282	2,315	2,583	2,073,455	2,234,865
Total Revenues	90,099,216	86,289,814	9,928,493	11,019,976	100,027,709	97,309,790
Expenses:						
General government	6,763,848	6,270,562	-	-	6,763,848	6,270,562
Public safety	11,963,486	9,768,039	-	-	11,963,486	9,768,039
Education	54,440,093	49,316,949	-	-	54,440,093	49,316,949
Public works	6,331,004	5,013,489	-	-	6,331,004	5,013,489
Health and human services	919,379	882,468	-	-	919,379	882,468
Culture and recreation	2,915,831	2,330,794	-	-	2,915,831	2,330,794
Interest expense	783,460	832,651	-	-	783,460	832,651
Utilities	-	-	8,223,302	7,616,085	8,223,302	7,616,085
Total Expenses	84,117,101	74,414,952	8,223,302	7,616,085	92,340,403	82,031,037
Change in Net Position Before Transfers	5,982,115	11,874,862	1,705,191	3,403,891	7,687,306	15,278,753
Transfers	294,230	378,270	(294,230)	(378,270)	-	-
Change in Net Position	6,276,345	12,253,132	1,410,961	3,025,621	7,687,306	15,278,753
Net Position:						
Beginning of year	110,963,212	98,710,080	37,215,207	34,189,586	148,178,419	132,899,666
End of year	\$ 117,239,557	\$ 110,963,212	\$ 38,626,168	\$ 37,215,207	\$ 155,865,725	\$ 148,178,419

Governmental Activities – Total revenues in fiscal year 2025 in the Town’s governmental activities increased over \$3.8 million, or 4.4%, from the prior fiscal year. This increase was due primarily to increases of approximately \$1.9 million and \$1.0 million, respectively, in property taxes and charges for services.

The Town’s largest revenue source is property taxes, which represented approximately 58% of total fiscal year 2025 and 2024 revenues. Property taxes increased over \$1.9 million, or 3.9%, in fiscal year 2025 due to normal property tax increases and new growth. Operating grants and contributions represented approximately 24% and 25% of total fiscal year 2025 and 2024 revenues, respectively. No other revenue sources were greater than 10% of total revenues in fiscal years 2025 or 2024.

Education represents the largest expense category for the Town. In total, education expenses represented approximately 65% and 66%, respectively, of total fiscal year 2025 and 2024 expenses. Public safety expenses represented approximately 14% and 13%, respectively, of total fiscal year 2025 and 2024 expenses. No other expense types were greater than 10% of total expenses in fiscal years 2025 or 2024.

Business-Type Activities – Total business-type activities revenues decreased nearly \$1.1 million in fiscal year 2025. This decrease was due entirely to the absence of a one-time \$2,750,000 EPA grant reported in fiscal year 2024. Charges for services increased approximately \$1.7 million year-over-year, which was due primarily to a significant rate increase in water utility charges.

Expenses in the business-type activities increased approximately \$607,000 year-over-year, which was due primarily to higher depreciation expense in the water enterprise fund.

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 \$46.0 million, which was approximately \$3.1 million greater than the prior year. The Town reported a \$0.8 million decrease in its general fund and positive changes in fund balances in each of its other reported major governmental funds in fiscal year 2025. Of the ending fund balances, nearly \$13.9 million is available for spending at the Town’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 approached \$14.1 million, while total general fund balance exceeded \$26.2 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 over 19% of total fiscal year 2025 general fund expenditures, while total fund balance represents over 36% of that same amount.

The community preservation fund reported a fund balance of approximately \$6.5 million at June 30, 2025, which was an increase of approximately \$0.8 million from the prior year.

The capital projects fund expended over \$3.5 million, the majority of which was used to repair/replace the roof at the McGovern Elementary School. This project was principally funded with capital stabilization funds.

The nonmajor governmental funds reported a more than \$2.0 million increase in fund balance in fiscal year 2025, 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, 2025 totaled approximately \$200.2 million, net of accumulated depreciation. This is an increase of nearly \$1.0 million from the prior year as fiscal year 2025 capital additions 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 decreased approximately \$3.7 million in fiscal year 2025 to approximately \$55.5 million at June 30, 2025. The Town issued nearly \$1.5 million in general obligation bonds in 2025, primarily in its water enterprise, and paid down nearly \$5.2 million as part of normal scheduled debt maturities.

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.

S&P Global 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 2026 is expected to exceed \$12.6 million.
- The Town enters fiscal year 2026 with the following financial reserves:
 - Certified free cash of over \$7.2 million;
 - General stabilization funds in excess of \$5.3 million; and
 - Capital stabilization funds in excess of \$5.6 million.
- The Town’s real estate tax base is made up predominantly of residential taxes, which in setting the 2026 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.
- Medical insurance premium rates are volatile. Many Massachusetts municipalities are experiencing steep premium increases beyond those contemplated in budgets and forecasts and well beyond the Commonwealth’s Proposition 2 ½ property tax limits.

The above items were considered when the Town approved its fiscal year 2026 budget in its May 2025 Annual Town Meeting. The Town set its fiscal year 2025 property tax rate on November 20, 2025.

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, 2025**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 46,308,658	\$ 7,666,502	\$ 53,975,160
Investments	4,420,039	-	4,420,039
Receivables, net of allowances:			
Property taxes	2,046,412	-	2,046,412
Excise taxes	194,243	-	194,243
Departmental, user charges and other	468,918	2,505,770	2,974,688
Intergovernmental	371,375	-	371,375
Prepaid items	-	-	-
Land	30,725,462	614,836	31,340,298
Construction in-progress	-	1,028,727	1,028,727
Depreciable capital assets, net	<u>108,400,664</u>	<u>59,405,710</u>	<u>167,806,374</u>
Total Assets	<u>192,935,771</u>	<u>71,221,545</u>	<u>264,157,316</u>
Deferred Outflows of Resources:			
Related to OPEB	3,700,975	95,675	3,796,650
Related to pension	<u>6,080,094</u>	<u>374,357</u>	<u>6,454,451</u>
Total Deferred Outflows of Resources	<u>9,781,069</u>	<u>470,032</u>	<u>10,251,101</u>

(continued)

TOWN OF MEDWAY, MASSACHUSETTS

**STATEMENT OF NET POSITION
JUNE 30, 2025**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Liabilities:			
Warrants and accounts payable	\$ 2,088,491	\$ 263,492	\$ 2,351,983
Accrued payroll and withholdings	1,473,554	54,410	1,527,964
Retainage payable	136,100	12,855	148,955
Accrued interest	280,258	434,332	714,590
Other liabilities	22,862	-	22,862
Deposits and escrows	1,344,050	-	1,344,050
Short-term note payable	91,190	-	91,190
Noncurrent liabilities:			
Due within one year	3,838,162	1,872,413	5,710,575
Due in more than one year	<u>70,595,285</u>	<u>30,267,824</u>	<u>100,863,109</u>
Total Liabilities	<u>79,869,952</u>	<u>32,905,326</u>	<u>112,775,278</u>
Deferred Inflows of Resources:			
Related to OPEB	5,183,860	134,009	5,317,869
Related to pension	<u>423,471</u>	<u>26,074</u>	<u>449,545</u>
Total Deferred Inflows of Resources	<u>5,607,331</u>	<u>160,083</u>	<u>5,767,414</u>
Net Position:			
Net investment in capital assets	111,228,491	32,451,873	143,680,364
Restricted for:			
Nonexpendable permanent funds	8,000	-	8,000
Expendable perpetual funds	817,251	-	817,251
Community preservation	6,511,964	-	6,511,964
Gifts and donations	2,451,419	-	2,451,419
Receipts reserved for appropriation	1,758,467	-	1,758,467
Other purposes	14,599,119	-	14,599,119
Unrestricted	<u>(20,135,154)</u>	<u>6,174,295</u>	<u>(13,960,859)</u>
Total Net Position	<u>\$ 117,239,557</u>	<u>\$ 38,626,168</u>	<u>\$ 155,865,725</u>

(concluded)

See accompanying notes to basic financial statements.

TOWN OF MEDWAY, MASSACHUSETTS

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025**

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	\$ 6,763,848	\$ 556,943	\$ 638,399	\$ 787,259	\$ (4,781,247)		\$ (4,781,247)
Public safety	11,963,486	2,852,029	489,775	-	(8,621,682)		(8,621,682)
Education	54,440,093	3,199,564	19,937,236	-	(31,303,293)		(31,303,293)
Public works	6,331,004	407,358	203,971	375,575	(5,344,100)		(5,344,100)
Health and human services	919,379	45,716	427,107	-	(446,556)		(446,556)
Culture and recreation	2,915,831	1,205,008	110,346	-	(1,600,477)		(1,600,477)
Interest expense	783,460	-	-	-	(783,460)		(783,460)
Total Governmental Activities	84,117,101	8,266,618	21,806,834	1,162,834	(52,880,815)		(52,880,815)
Business-Type Activities:							
Sewer	2,037,624	2,072,990	-	-		\$ 35,366	35,366
Water	4,500,598	6,093,256	-	-		1,592,658	1,592,658
Solid waste	1,685,080	1,759,932	-	-		74,852	74,852
Total Business-Type Activities	8,223,302	9,926,178	-	-		1,702,876	1,702,876
Total Primary Government	\$ 92,340,403	\$ 18,192,796	\$ 21,806,834	\$ 1,162,834		1,702,876	(51,177,939)
General Revenues:							
Property taxes					52,130,552	-	52,130,552
Motor vehicle and other excise taxes					3,159,002	-	3,159,002
Grants and contributions not restricted to to specific programs					1,502,236	-	1,502,236
Penalties and interest on taxes					180,446	-	180,446
Unrestricted investment income					1,890,694	2,315	1,893,009
Transfers, net					294,230	(294,230)	-
Total General Revenues and Transfers					59,157,160	(291,915)	58,865,245
Change in Net Position					6,276,345	1,410,961	7,687,306
Net Position:							
Beginning of year					110,963,212	37,215,207	148,178,419
End of year					\$ 117,239,557	\$ 38,626,168	\$ 155,865,725

See accompanying notes to basic financial statements.

TOWN OF MEDWAY, MASSACHUSETTS

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2025**

	General Fund	Community Preservation Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Assets:					
Cash and cash equivalents	\$ 25,707,895	\$ 6,612,894	\$ 2,530,365	\$ 11,457,504	\$ 46,308,658
Investments	4,420,039	-	-	-	4,420,039
Receivables, net of allowances:					
Property taxes	2,025,690	20,722	-	-	2,046,412
Excise taxes	194,243	-	-	-	194,243
Departmental, user charges and other	23,853	-	-	445,065	468,918
Intergovernmental	-	-	-	371,375	371,375
Total Assets	32,371,720	6,633,616	2,530,365	12,273,944	53,809,645
Total Deferred Outflows of Resources	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 32,371,720	\$ 6,633,616	\$ 2,530,365	\$ 12,273,944	\$ 53,809,645
Liabilities:					
Warrants and accounts payable	\$ 1,239,794	\$ 100,930	\$ 469,559	\$ 278,208	\$ 2,088,491
Accrued payroll and withholdings	1,312,969	-	-	160,585	1,473,554
Retainage payable	-	-	136,100	-	136,100
Other liabilities	22,862	-	-	-	22,862
Deposits and escrows	1,344,050	-	-	-	1,344,050
Short-term note payable	-	-	-	91,190	91,190
Total Liabilities	3,919,675	100,930	605,659	529,983	5,156,247
Deferred Inflows of Resources:					
Unavailable revenues - property taxes	2,025,690	20,722	-	-	2,046,412
Unavailable revenues - other	198,096	-	-	367,379	565,475
Total Deferred Inflows of Resources	2,223,786	20,722	-	367,379	2,611,887
Fund Balances:					
Nonspendable	-	-	-	8,000	8,000
Restricted	173,754	6,511,964	1,924,706	11,608,881	20,219,305
Committed	8,573,972	-	-	-	8,573,972
Assigned	3,382,834	-	-	-	3,382,834
Unassigned	14,097,699	-	-	(240,299)	13,857,400
Total Fund Balances	26,228,259	6,511,964	1,924,706	11,376,582	46,041,511
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 32,371,720	\$ 6,633,616	\$ 2,530,365	\$ 12,273,944	\$ 53,809,645

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, 2025**

Total Governmental Fund Balances	\$ 46,041,511
Capital assets used in governmental activities in the statement of net position are not financial resources and, therefore, are not reported in the funds.	139,126,126
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.	2,611,887
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	3,700,975
Deferred outflows of resources - pensions	6,080,094
Deferred inflows of resources - other postemployment benefits	(5,183,860)
Deferred inflows of resources - pensions	<u>(423,471)</u>
Net effect of reporting deferred outflows and inflows of resources	4,173,738
Interest is accrued on outstanding long-term debt in the statement of net position but not in the funds until due.	(280,258)
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	(23,890,596)
Net pension liability	(22,329,642)
Compensated absences	(417,400)
Bonds and notes payable	<u>(27,795,809)</u>
Net effect of reporting long-term liabilities	<u>(74,433,447)</u>
Net Position — Governmental Activities	<u>\$ 117,239,557</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, 2025**

	General Fund	Community Preservation Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Revenues:					
Property taxes, net of tax refunds	\$ 50,904,972	\$ 1,208,968	\$ -	\$ -	\$ 52,113,940
Intergovernmental	17,438,301	278,877	-	5,891,165	23,608,343
Motor vehicle and other excise taxes	3,103,202	-	-	-	3,103,202
Licenses and permits	917,760	-	-	-	917,760
Penalties and interest on taxes	176,059	3,461	-	926	180,446
Fines and forfeitures	21,275	-	-	-	21,275
Departmental and other revenues	687,853	-	-	6,492,379	7,180,232
Contributions and donations	-	-	-	863,561	863,561
Investment income	1,600,911	252,272	-	37,511	1,890,694
Total Revenues	74,850,333	1,743,578	-	13,285,542	89,879,453
Expenditures:					
Current:					
General government	4,326,440	497,419	-	572,815	5,396,674
Public safety	8,288,848	-	-	1,066,599	9,355,447
Education	38,219,458	-	2,938,616	6,815,221	47,973,295
Public works	4,962,437	-	132,711	654,022	5,749,170
Health and human services	530,512	-	-	234,817	765,329
Culture and recreation	1,044,988	-	476,576	1,122,888	2,644,452
Pension and fringe benefits	10,169,153	-	-	-	10,169,153
State and county charges	896,310	-	-	-	896,310
Debt service:					
Principal	3,065,000	340,000	-	19,489	3,424,489
Interest	902,236	57,975	-	2,354	962,565
Total Expenditures	72,405,382	895,394	3,547,903	10,488,205	87,336,884
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,444,951	848,184	(3,547,903)	2,797,337	2,542,569
Other Financing Sources (Uses):					
Issuance of general obligation bonds	-	-	285,000	-	285,000
Transfers in	1,061,722	-	4,382,853	17,500	5,462,075
Transfers out	(4,350,000)	(17,500)	-	(800,345)	(5,167,845)
Total Other Financing Sources (Uses)	(3,288,278)	(17,500)	4,667,853	(782,845)	579,230
Change in Fund Balances	(843,327)	830,684	1,119,950	2,014,492	3,121,799
Fund Balances:					
Beginning of the year	27,071,586	5,681,280	804,756	9,362,090	42,919,712
End of the year	<u>\$ 26,228,259</u>	<u>\$ 6,511,964</u>	<u>\$ 1,924,706</u>	<u>\$ 11,376,582</u>	<u>\$ 46,041,511</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, 2025**

Change in Fund Balances — Total Governmental Funds \$ 3,121,799

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	7,463,196	
Depreciation expense	<u>(6,217,289)</u>	
Net effect of reporting capital activity		1,245,907

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. 219,763

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	(285,000)	
Repayments of long-term debt	3,424,489	
Amortization of bond premiums	<u>180,627</u>	
Net effect of reporting long-term debt activity		3,320,116

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	(397,111)	
Net pension liability	(1,172,878)	
Compensated absences	(59,729)	
Accrued interest	<u>(1,522)</u>	
Net effect of reporting long-term liabilities		<u>(1,631,240)</u>

Change in Net Position — Governmental Activities \$ 6,276,345

See accompanying notes to basic financial statements.

TOWN OF MEDWAY, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2025**

	Business-Type Activities			
	Sewer	Water	Solid Waste	Total
Assets:				
Current Assets:				
Cash and cash equivalents	\$ 2,073,390	\$ 4,710,942	\$ 882,170	\$ 7,666,502
Receivables, net of allowances:				
User charges receivable	469,253	1,528,592	335,588	2,333,433
Betterments	30,836	-	-	30,836
Total Current Assets	2,573,479	6,239,534	1,217,758	10,030,771
Noncurrent Assets:				
Betterments	141,501	-	-	141,501
Land	-	614,836	-	614,836
Construction in-progress	-	1,028,727	-	1,028,727
Depreciable capital assets, net	9,147,152	50,258,558	-	59,405,710
Total Noncurrent Assets	9,288,653	51,902,121	-	61,190,774
Total Assets	11,862,132	58,141,655	1,217,758	71,221,545
Deferred Outflows of Resources:				
Related to OPEB	9,871	67,960	17,844	95,675
Related to pension	77,453	251,723	45,181	374,357
Total Deferred Outflows of Resources	87,324	319,683	63,025	470,032

(continued)

TOWN OF MEDWAY, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2025**

	Business-Type Activities			
	Sewer	Water	Solid Waste	Total
Liabilities:				
Current Liabilities:				
Warrants and accounts payable	\$ 3,716	\$ 102,369	\$ 157,407	\$ 263,492
Accrued payroll and withholdings	12,547	40,058	1,805	54,410
Retainage payable	-	12,855	-	12,855
Accrued interest	6,704	427,628	-	434,332
Compensated absences	2,544	15,681	1,523	19,748
Current portion of long-term debt	130,000	1,722,665	-	1,852,665
Total Current Liabilities	155,511	2,321,256	160,735	2,637,502
Noncurrent liabilities:				
Compensated absences	3,110	19,165	1,861	24,136
Net OPEB liability	63,422	438,257	114,361	616,040
Net pension liability	284,454	924,476	165,932	1,374,862
Long-term debt	520,000	27,732,786	-	28,252,786
Total Noncurrent Liabilities	870,986	29,114,684	282,154	30,267,824
Total Liabilities	1,026,497	31,435,940	442,889	32,905,326
Deferred Inflows of Resources:				
Related to OPEB	13,826	95,189	24,994	134,009
Related to pension	5,395	17,532	3,147	26,074
Total Deferred Inflows of Resources	19,221	112,721	28,141	160,083
Net Position:				
Net investment in capital assets	8,497,152	23,954,721	-	32,451,873
Unrestricted	2,406,586	2,957,956	809,753	6,174,295
Total Net Position	\$ 10,903,738	\$ 26,912,677	\$ 809,753	\$ 38,626,168

(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, 2025**

	Business-Type Activities			
	Sewer	Water	Solid Waste	Total
Operating Revenues:				
Charges for services	\$ 2,030,958	\$ 5,985,617	\$ 1,758,782	\$ 9,775,357
Other operating revenues	42,032	107,639	1,150	150,821
Total Operating Revenues	<u>2,072,990</u>	<u>6,093,256</u>	<u>1,759,932</u>	<u>9,926,178</u>
Operating Expenses:				
Payroll and personnel costs	393,031	1,354,666	162,014	1,909,711
Operating costs	1,228,517	996,501	1,523,066	3,748,084
Depreciation	389,668	1,205,152	-	1,594,820
Total Operating Expenses	<u>2,011,216</u>	<u>3,556,319</u>	<u>1,685,080</u>	<u>7,252,615</u>
Operating Income	<u>61,774</u>	<u>2,536,937</u>	<u>74,852</u>	<u>2,673,563</u>
Nonoperating Revenues (Expenses):				
Investment income	2,315	-	-	2,315
Interest expense	(26,408)	(944,279)	-	(970,687)
Total Nonoperating Revenues (Expenses)	<u>(24,093)</u>	<u>(944,279)</u>	<u>-</u>	<u>(968,372)</u>
Income Before Transfers	<u>37,681</u>	<u>1,592,658</u>	<u>74,852</u>	<u>1,705,191</u>
Transfers:				
Transfers out	(54,906)	(190,881)	(48,443)	(294,230)
Change in Net Position	(17,225)	1,401,777	26,409	1,410,961
Net Position:				
Beginning of the year	10,920,963	25,510,900	783,344	37,215,207
End of the year	<u>\$ 10,903,738</u>	<u>\$ 26,912,677</u>	<u>\$ 809,753</u>	<u>\$ 38,626,168</u>

See accompanying notes to basic financial statements.

TOWN OF MEDWAY, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025**

	Business-Type Activities			
	Sewer	Water	Solid Waste	Total
Cash Flows from Operating Activities:				
Receipts from user charges	\$ 2,178,592	\$ 5,710,861	\$ 1,732,466	\$ 9,621,919
Receipts from other operating revenues	42,032	107,639	1,150	150,821
Payments to employees	(374,190)	(1,284,582)	(157,759)	(1,816,531)
Payments to vendors	<u>(1,231,129)</u>	<u>(2,313,668)</u>	<u>(1,489,167)</u>	<u>(5,033,964)</u>
Net Cash Provided By Operating Activities	<u>615,305</u>	<u>2,220,250</u>	<u>86,690</u>	<u>2,922,245</u>
Cash Flows from Noncapital Financial Activities:				
Transfers out	<u>(54,906)</u>	<u>(190,881)</u>	<u>(48,443)</u>	<u>(294,230)</u>
Net Cash Used In Noncapital Financing Activities	<u>(54,906)</u>	<u>(190,881)</u>	<u>(48,443)</u>	<u>(294,230)</u>
Cash Flows from Capital and Related Financing Activities:				
Proceeds from the issuance of long-term debt	-	1,190,000	-	1,190,000
Acquisition and construction of capital assets	-	(1,338,632)	-	(1,338,632)
Principal repayments on long-term debt	(150,000)	(1,711,015)	-	(1,861,015)
Interest payments	<u>(27,800)</u>	<u>(920,389)</u>	<u>-</u>	<u>(948,189)</u>
Net Cash Used In Capital and Related Financing Activities	<u>(177,800)</u>	<u>(2,780,036)</u>	<u>-</u>	<u>(2,957,836)</u>
Cash Flow from Investing Activities:				
Investment income	<u>2,315</u>	<u>-</u>	<u>-</u>	<u>2,315</u>
Net Cash Provided By Investing Activities	<u>2,315</u>	<u>-</u>	<u>-</u>	<u>2,315</u>
Change in Cash and Cash Equivalents	384,914	(750,667)	38,247	(327,506)
Cash and Cash Equivalents:				
Beginning of the year	<u>1,688,476</u>	<u>5,461,609</u>	<u>843,923</u>	<u>7,994,008</u>
End of the year	<u>\$ 2,073,390</u>	<u>\$ 4,710,942</u>	<u>\$ 882,170</u>	<u>\$ 7,666,502</u>

(continued)

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025**

	Business-Type Activities			
	Sewer	Water	Solid Waste	Total
Reconciliation of Operating Income to Net Cash Provided By (Used In) Operating Activities:				
Operating Income	\$ 61,774	\$ 2,536,937	\$ 74,852	\$ 2,673,563
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:				
Depreciation expense	389,668	1,205,152	-	1,594,820
Changes in assets, deferred outflows (inflows) of resources and liabilities:				
Receivables and other current assets	147,634	(274,756)	(26,316)	(153,438)
Warrants payable and other current liabilities	371	(1,309,922)	28,802	(1,280,749)
Accrued and deferred benefits payable	15,858	62,839	9,352	88,049
Net Cash Provided By Operating Activities	\$ 615,305	\$ 2,220,250	\$ 86,690	\$ 2,922,245
				<i>(concluded)</i>

See accompanying notes to basic financial statements.

TOWN OF MEDWAY, MASSACHUSETTS

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2025**

	<u>OPEB Trust</u>	<u>Private Purpose Trust Funds</u>
Assets:		
Cash and cash equivalents	\$ -	\$ 933,166
Investments at fair value:		
Fixed income securities	557,629	-
Equity securities	3,296,135	-
Mutual funds	<u>240,487</u>	<u>-</u>
Total Assets	<u>4,094,251</u>	<u>933,166</u>
Liabilities:		
Warrants and accounts payable	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>
Net Position:		
Restricted for other postemployment benefits	4,094,251	-
Held in trust for private purposes	<u>-</u>	<u>933,166</u>
Total Net Position	<u>\$ 4,094,251</u>	<u>\$ 933,166</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, 2025**

	<u>OPEB Trust</u>	<u>Private Purpose Trust Funds</u>
Additions:		
Employer contributions	\$ 1,721,471	\$ -
Other contributions	<u>-</u>	<u>29,971</u>
Total contributions	<u>1,721,471</u>	<u>29,971</u>
Net investment income	<u>392,992</u>	<u>32,783</u>
Total Additions	<u>2,114,463</u>	<u>62,754</u>
Deductions:		
Benefits to retirees	1,421,471	-
Scholarships	<u>-</u>	<u>53,056</u>
Total Deductions	<u>1,421,471</u>	<u>53,056</u>
Change in Net Position	692,992	9,698
Net Position:		
Beginning of the year	<u>3,401,259</u>	<u>923,468</u>
End of the year	<u>\$ 4,094,251</u>	<u>\$ 933,166</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, 2025

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 Town 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. This is a nonmajor fund that is reported as a major fund at the discretion of management.

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 \$15,000 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 four 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 four 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, 2025, \$129,420 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, 2025:

<u>Investments by Fair Value Level</u>	June 30, 2025	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt securities:				
U.S. Treasury notes	\$ 4,667,969	\$ 4,667,969	\$ -	\$ -
U.S. Government agency obligations	78,499	78,499	-	-
Corporate bonds	<u>231,200</u>	<u>-</u>	<u>231,200</u>	<u>-</u>
Total debt securities	<u>4,977,668</u>	<u>4,746,468</u>	<u>231,200</u>	<u>-</u>
Equity securities	3,296,135	3,296,135	-	-
Mutual funds	<u>240,487</u>	<u>-</u>	<u>240,487</u>	<u>-</u>
Total Investments by Fair Value Level	<u>\$ 8,514,290</u>	<u>\$ 8,042,603</u>	<u>\$ 471,687</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, 2025:

<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	\$ 4,746,468	\$ 4,454,733	\$ 173,183	\$ 118,552
Corporate bonds	<u>231,200</u>	<u>64,453</u>	<u>148,312</u>	<u>18,435</u>
Total investments with maturities	<u>4,977,668</u>	<u>\$ 4,519,186</u>	<u>\$ 321,495</u>	<u>\$ 136,987</u>
Other investments:				
Equity securities	3,296,135			
Mutual funds	<u>240,487</u>			
Total Investments	<u>\$ 8,514,290</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, 2025:

<u>Credit Rating</u>	<u>U.S.</u>	
	<u>Government Obligations</u>	<u>Corporate Bonds</u>
Aaa	\$ -	\$ 19,795
Aa2	4,746,468	49,793
Aa3	-	24,299
A1	-	79,315
A2	-	<u>57,998</u>
	<u>\$ 4,746,468</u>	<u>\$ 231,200</u>

Concentration of Credit Risk: Investments – The Town’s investment in U.S. Treasury notes represented approximately 55% of its total investments. No other individual investment represented more than 5% of the Town’s total investments at June 30, 2025.

B. Receivables

Receivables as of June 30, 2025 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	\$ 984,122	\$ (12,000)	\$ 972,122
Tax liens	1,074,290	-	1,074,290
Motor vehicle excise taxes	220,243	(26,000)	194,243
Ambulance	310,089	(99,000)	211,089
Departmental	257,829	-	257,829
Intergovernmental	371,375	-	371,375
	<u>\$ 3,217,948</u>	<u>\$ (137,000)</u>	<u>\$ 3,080,948</u>

Receivables as of June 30, 2025 for the Town’s proprietary funds were as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Sewer user charges	\$ 474,253	\$ (5,000)	\$ 469,253
Sewer betterments	172,337	-	172,337
Water user charges	1,533,592	(5,000)	1,528,592
Solid waste user charges	336,588	(1,000)	335,588
	<u>\$ 2,516,770</u>	<u>\$ (11,000)</u>	<u>\$ 2,505,770</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	\$ 958,239	\$ 13,883	\$ -	\$ 972,122
Tax liens	1,067,451	6,839	-	1,074,290
Motor vehicle excise taxes	194,243	-	-	194,243
Departmental	3,853	-	156,290	160,143
Ambulance	-	-	211,089	211,089
	<u>\$ 2,223,786</u>	<u>\$ 20,722</u>	<u>\$ 367,379</u>	<u>\$ 2,611,887</u>

C. Capital Assets

Capital asset activity for the year ended June 30, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 30,725,462	\$ -	\$ -	\$ 30,725,462
Capital assets being depreciated:				
Buildings and improvements	135,291,573	4,157,100	-	139,448,673
Infrastructure	48,131,519	1,832,300	(92,913)	49,870,906
Machinery and equipment	14,415,047	1,090,738	(102,425)	15,403,360
Vehicles	4,645,412	383,058	-	5,028,470
Total capital assets being depreciated	<u>202,483,551</u>	<u>7,463,196</u>	<u>(195,338)</u>	<u>209,751,409</u>
Less accumulated depreciation for:				
Buildings and improvements	(52,854,992)	(3,520,913)	-	(56,375,905)
Infrastructure	(30,171,052)	(1,295,541)	92,913	(31,373,680)
Machinery and equipment	(9,381,174)	(946,826)	-	(10,328,000)
Vehicles	(2,921,576)	(454,009)	102,425	(3,273,160)
Total accumulated depreciation	<u>(95,328,794)</u>	<u>(6,217,289)</u>	<u>195,338</u>	<u>(101,350,745)</u>
Total capital assets being depreciated, net	<u>107,154,757</u>	<u>1,245,907</u>	<u>-</u>	<u>108,400,664</u>
Governmental Activities Capital Assets, Net	<u>\$ 137,880,219</u>	<u>\$ 1,245,907</u>	<u>\$ -</u>	<u>\$ 139,126,126</u>

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

General government	\$ 392,291
Public safety	615,180
Education	2,652,375
Public works	2,076,317
Health and human services	20,338
Culture and recreation	460,788
	<u>\$ 6,217,289</u>

	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
<u>Business-Type Activities: Combined:</u>				
Capital assets not being depreciated:				
Land	\$ 614,836	\$ -	\$ -	\$ 614,836
Construction in-progress	<u>30,666,625</u>	<u>663,129</u>	<u>(30,301,027)</u>	<u>1,028,727</u>
Total capital assets not being depreciated	<u>31,281,461</u>	<u>663,129</u>	<u>(30,301,027)</u>	<u>1,643,563</u>
Capital assets being depreciated:				
Infrastructure	61,769,184	32,443,195	(1,503,165)	92,709,214
Machinery and equipment	1,822,232	36,500	-	1,858,732
Vehicles	<u>750,473</u>	<u>-</u>	<u>-</u>	<u>750,473</u>
Total capital assets being depreciated	<u>64,341,889</u>	<u>32,479,695</u>	<u>(1,503,165)</u>	<u>95,318,419</u>
Less accumulated depreciation for:				
Infrastructure	(32,186,295)	(1,497,212)	-	(33,683,507)
Machinery and equipment	(1,570,942)	(59,824)	-	(1,630,766)
Vehicles	<u>(560,652)</u>	<u>(37,784)</u>	<u>-</u>	<u>(598,436)</u>
Total accumulated depreciation	<u>(34,317,889)</u>	<u>(1,594,820)</u>	<u>-</u>	<u>(35,912,709)</u>
Total capital assets being depreciated, net	<u>30,024,000</u>	<u>30,884,875</u>	<u>(1,503,165)</u>	<u>59,405,710</u>
Business-Type Activities Capital Assets, Net	<u>\$ 61,305,461</u>	<u>\$ 31,548,004</u>	<u>\$ (31,804,192)</u>	<u>\$ 61,049,273</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<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	<u>350,064</u>	<u>-</u>	<u>-</u>	<u>350,064</u>
Total capital assets being depreciated	<u>20,391,982</u>	<u>-</u>	<u>-</u>	<u>20,391,982</u>
Less accumulated depreciation for:				
Infrastructure	(10,475,179)	(364,579)	-	(10,839,758)
Machinery and equipment	(137,224)	-	-	(137,224)
Vehicles	<u>(242,759)</u>	<u>(25,089)</u>	<u>-</u>	<u>(267,848)</u>
Total accumulated depreciation	<u>(10,855,162)</u>	<u>(389,668)</u>	<u>-</u>	<u>(11,244,830)</u>
Total capital assets being depreciated, net	<u>9,536,820</u>	<u>(389,668)</u>	<u>-</u>	<u>9,147,152</u>
Total Sewer	<u>\$ 9,536,820</u>	<u>\$ (389,668)</u>	<u>\$ -</u>	<u>\$ 9,147,152</u>

(continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities: Water				
Capital assets not being depreciated:				
Land	\$ 614,836	\$ -	\$ -	\$ 614,836
Construction in-progress	30,666,625	663,129	(30,301,027)	1,028,727
Total capital assets not being depreciated	<u>31,281,461</u>	<u>663,129</u>	<u>(30,301,027)</u>	<u>1,643,563</u>
Capital assets being depreciated:				
Infrastructure	41,864,490	32,443,195	(1,503,165)	72,804,520
Machinery and equipment	1,685,008	36,500	-	1,721,508
Vehicles	400,409	-	-	400,409
Total capital assets being depreciated	<u>43,949,907</u>	<u>32,479,695</u>	<u>(1,503,165)</u>	<u>74,926,437</u>
Less accumulated depreciation for:				
Infrastructure	(21,711,116)	(1,132,633)	-	(22,843,749)
Machinery and equipment	(1,433,718)	(59,824)	-	(1,493,542)
Vehicles	(317,893)	(12,695)	-	(330,588)
Total accumulated depreciation	<u>(23,462,727)</u>	<u>(1,205,152)</u>	<u>-</u>	<u>(24,667,879)</u>
Total capital assets being depreciated, net	<u>20,487,180</u>	<u>31,274,543</u>	<u>(1,503,165)</u>	<u>50,258,558</u>
Total Water	<u>\$ 51,768,641</u>	<u>\$ 31,937,672</u>	<u>\$ (31,804,192)</u>	<u>\$ 51,902,121</u>

(concluded)

D. Interfund Transfers

The composition of interfund transfers for the fiscal year ended June 30, 2025 was as follows:

Transfers Out	Transfers In			Total
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 4,350,000	\$ -	\$ 4,350,000 (1)
Community Preservation Fund	-	-	17,500	17,500 (2)
Nonmajor Governmental Funds	767,492	32,853	-	800,345 (3)
Sewer Enterprise Fund	54,906	-	-	54,906 (4)
Water Enterprise Fund	190,881	-	-	190,881 (4)
Solid Waste Fund	48,443	-	-	48,443 (4)
	<u>\$ 1,061,722</u>	<u>\$ 4,382,853</u>	<u>\$ 17,500</u>	<u>\$ 5,462,075</u>

- (1) Transfers of \$3,100,000 from capital stabilization and \$1,500,000 from free cash to fund capital projects.
- (2) Transfer to affordable housing trust.
- (3) Primarily consists of a \$767,000 budgeted transfer from the ambulance receipts reserved for appropriation to the general fund to supplement budget.
- (4) Primarily transfers to the general fund to cover shared debt service costs.

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 table summarizes the short-term or temporary borrowing activities in fiscal year 2025:

Type	Interest Rate	Maturity Date	Beginning Balance	Increases	Decreases	Ending Balance
MCWT interim note payable	0.00%	unknown	\$ -	\$ 91,190	\$ -	\$ 91,190

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	\$ 29,605,000	\$ 285,000	\$ (3,405,000)	\$ 26,485,000	\$ 3,465,000
Unamortized bond premium	1,284,978	-	(180,627)	1,104,351	165,828
Direct borrowings and placements	225,947	-	(19,489)	206,458	19,504
Compensated absences (a)	357,671	59,729	-	417,400	187,830
Net OPEB liability	22,805,712	13,029,472	(11,944,588)	23,890,596	-
Net pension liability	25,018,987	10,773,064	(13,462,409)	22,329,642	-
Total Governmental Activities	\$ 79,298,295	\$ 24,147,265	\$ (29,012,113)	\$ 74,433,447	\$ 3,838,162

(a) Change is presented as a net change as permitted under GAAP.

Description of Issue	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<i>Business-Type Activities:</i>					
Sewer:					
General obligation bonds	\$ 800,000	\$ -	\$ (150,000)	\$ 650,000	\$ 130,000
Compensated absences (a)	6,090	-	(436)	5,654	2,544
Net OPEB liability	60,239	30,396	(27,213)	63,422	-
Net pension liability	318,713	137,238	(171,497)	284,454	-
Total Sewer	1,185,042	167,634	(349,146)	1,003,530	132,544
Water:					
General obligation bonds	26,490,000	1,190,000	(1,440,000)	26,240,000	1,455,000
Unamortized bond premium	1,405,522	-	(117,073)	1,288,449	110,377
Direct borrowings and placements	2,080,944	-	(153,942)	1,927,002	157,288
Compensated absences (a)	35,898	-	(1,052)	34,846	15,681
Net OPEB liability	410,976	213,088	(185,807)	438,257	-
Net pension liability	1,035,818	446,019	(557,361)	924,476	-
Total Water	31,459,158	1,849,107	(2,455,235)	30,853,030	1,738,346
Solid Waste:					
Compensated absences (a)	4,752	-	(1,368)	3,384	1,523
Net OPEB liability	109,044	54,510	(49,193)	114,361	-
Net pension liability	185,916	80,056	(100,040)	165,932	-
Total Solid Waste	299,712	134,566	(150,601)	283,677	1,523
Total Business-Type Activities	\$ 32,943,912	\$ 2,151,307	\$ (2,954,982)	\$ 32,140,237	\$ 1,872,413

(a) Change is presented as a net change as permitted under GAAP.

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, 2025 were as follows:

Description	Interest Rate	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>					
General obligation bonds	1.00 - 5.00%	\$ 29,605,000	\$ 285,000	\$ (3,405,000)	\$ 26,485,000
MCWT Notes	2.00%	225,947	-	(19,489)	206,458
Total Governmental Activities, net		\$ 29,830,947	\$ 285,000	\$ (3,424,489)	\$ 26,691,458
<i>Business-Type Activities - Sewer:</i>					
General obligation bonds	2.00 - 5.0%	\$ 800,000	\$ -	\$ (150,000)	\$ 650,000
<i>Business-Type Activities - Water:</i>					
General obligation bonds	1.00 - 5.00%	26,490,000	1,190,000	(1,440,000)	26,240,000
MCWT Notes	2.00%	2,080,944	-	(153,942)	1,927,002
Total Water		28,570,944	1,190,000	(1,593,942)	28,167,002
Total Business-Type Activities, net		\$ 29,370,944	\$ 1,190,000	\$ (1,743,942)	\$ 28,817,002

Debt service requirements on long-term debt at June 30, 2025 are as follows:

Year Ended June 30,	Governmental Activities			
	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2026	\$ 3,465,000	\$ 836,639	\$ 19,504	\$ 1,715
2027	2,815,000	720,593	19,519	1,524
2028	2,675,000	618,121	19,534	1,334
2029	2,660,000	523,554	19,549	1,143
2030	2,305,000	433,590	19,563	953
2031 - 2035	7,370,000	1,268,744	88,518	1,905
2036 - 2040	4,505,000	470,432	20,271	-
2041 - 2043	690,000	53,100	-	-
	<u>\$ 26,485,000</u>	<u>\$ 4,924,773</u>	<u>\$ 206,458</u>	<u>\$ 8,574</u>

Year Ended June 30,	Business-Type Activities: Combined			
	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2026	\$ 1,585,000	\$ 989,594	\$ 157,288	\$ 38,310
2027	1,580,000	927,928	160,708	35,159
2028	1,500,000	867,807	164,200	31,940
2029	1,490,000	809,750	167,769	28,651
2030	1,485,000	752,986	171,415	25,290
2031 - 2035	5,535,000	3,130,288	914,600	73,427
2036 - 2040	5,240,000	2,174,592	191,022	6,241
2041 - 2045	3,470,000	1,319,500	-	-
2046 - 2050	3,090,000	693,200	-	-
2051 - 2053	1,915,000	122,800	-	-
	<u>\$ 26,890,000</u>	<u>\$ 11,788,445</u>	<u>\$ 1,927,002</u>	<u>\$ 239,018</u>

Year Ended June 30,	Business-Type Activities: Sewer			
	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2026	\$ 130,000	\$ 22,538	\$ -	\$ -
2027	130,000	17,612	-	-
2028	130,000	12,631	-	-
2029	130,000	7,600	-	-
2030	130,000	2,538	-	-
	<u>\$ 650,000</u>	<u>\$ 62,919</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
2026	\$ 1,455,000	\$ 967,056	\$ 157,288	\$ 38,310
2027	1,450,000	910,316	160,708	35,159
2028	1,370,000	855,176	164,200	31,940
2029	1,360,000	802,150	167,769	28,651
2030	1,355,000	750,448	171,415	25,290
2031 - 2035	5,535,000	3,130,288	914,600	73,427
2036 - 2040	5,240,000	2,174,592	191,022	6,241
2041 - 2045	3,470,000	1,319,500	-	-
2046 - 2050	3,090,000	693,200	-	-
2051 - 2053	1,915,000	122,800	-	-
	<u>\$ 26,240,000</u>	<u>\$ 11,725,526</u>	<u>\$ 1,927,002</u>	<u>\$ 239,018</u>

(concluded)

Authorized and unissued debt at June 30, 2025 included:

Project	Amount
Town Hall/Public Safety Complex	\$ 7,900,000
High School culvert construction	2,878,000
Urban renewal projects	2,485,000
Hanlon track and field	1,687,000
Fire truck	1,100,000
Village Street pump station	738,000
Stormwater matching grants	620,000
Water treatment plant	612,000
McGovern School bathrooms	525,000
High School boilers	425,250
Title V septic loans	300,000
PFAS pilot treatment study	200,000
Lead water line study	140,000
	<u>\$ 19,610,250</u>

G. Fund Balances

The components of fund balances as listed in aggregate in the governmental funds balance sheet at June 30, 2025 are as follows:

	General Fund	Community Preservation Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Nonexpendable perpetual funds	\$ -	\$ -	\$ -	\$ 8,000	\$ 8,000
Restricted:					
Expendable perpetual funds	-	-	-	817,251	817,251
General government	-	-	-	2,607,347	2,607,347
Public safety	-	-	-	2,222,181	2,222,181
Education	-	-	-	3,641,269	3,641,269
Public works	-	-	-	724,114	724,114
Health and human services	-	-	-	139,805	139,805
Culture and recreation	-	-	-	1,456,914	1,456,914
Debt service reserve	173,754	-	-	-	173,754
Community preservation	-	6,511,964	-	-	6,511,964
Capital projects	-	-	1,924,706	-	1,924,706
Committed:					
General government	414,882	-	-	-	414,882
Public safety	1,322,825	-	-	-	1,322,825
Education	227,823	-	-	-	227,823
Public works	525,063	-	-	-	525,063
Culture and recreation	45,488	-	-	-	45,488
Capital stabilization funds	5,610,924	-	-	-	5,610,924
Other stabilization funds	426,967	-	-	-	426,967
Assigned:					
General government	164,750	-	-	-	164,750
Public safety	241,619	-	-	-	241,619
Education	137,779	-	-	-	137,779
Subsequent years' budget	2,834,608	-	-	-	2,834,608
Other purposes	4,078	-	-	-	4,078
Unassigned:					
General stabilization funds	5,337,808	-	-	-	5,337,808
Unrestricted	8,759,891	-	-	(240,299)	8,519,592
	<u>\$ 26,228,259</u>	<u>\$ 6,511,964</u>	<u>\$ 1,924,706</u>	<u>\$ 11,376,582</u>	<u>\$ 46,041,511</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 \$548,226 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 2025.

The Town reported deficits of \$240,299 in its nonmajor governmental funds at June 30, 2025. The Town expects these deficits will be cured through future intergovernmental receipts or budget transfers.

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, 2024 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, 2024 was as follows:

Active members	6,206
Inactive members	3,164
Retirees and beneficiaries	<u>3,958</u>
	<u>13,328</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 \$3,734,463 to the Retirement System in fiscal year 2025, which equaled its actuarially-determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll were approximately 25% in fiscal year 2025.

Net Pension Liability – At June 30, 2025, the Town reported a liability of \$23,704,504 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, 2024 and rolled forward to December 31, 2024, the measurement date. There were no material changes to the Retirement System's benefit terms since the actuarial valuation. There were no significant changes in actuarial assumptions from the prior year.

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 3.69% and 3.82%, respectively, at December 31, 2024 and 2023.

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, 2024, 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 \$4,979,560 in pension expense in the statement of activities in fiscal year 2025.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2025, 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
	<hr/>	<hr/>
Differences between expected and actual experience	\$ 1,153,257	\$ -
Changes of assumptions	3,221,341	-
Net difference between projected and actual earnings on pension plan investments	2,046,089	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	<hr/> 33,764	<hr/> 449,545
	<hr/> <u>\$ 6,454,451</u>	<hr/> <u>\$ 449,545</u>

The net deferred outflows of resources at June 30, 2025 are expected to be recognized in the Town's pension expense as follows:

<u>Year Ended June 30,</u>	
2026	\$ 2,223,603
2027	3,119,203
2028	895,172
2029	<u>(233,072)</u>
	<u>\$ 6,004,906</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	4.0% to 5.5%
Cost of Living Adjustments	3.0% of the first \$20,000 of retirement income
Investment Rate of Return	7.625%
Mortality Rates	Pub-2010 Public Retirement Plans Mortality Tables Report from the Society of Actuaries dated January 2019; amount-weighted and projected generationally with Scale MP-2021

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, 2024 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	30.5%	7.3%
International equity	15.5%	8.0%
Fixed income	20.5%	4.9%
Real estate	9.5%	7.0%
Private equity	10.0%	10.2%
Hedge funds	11.5%	8.6%
Real estate	2.5%	8.9%

Discount Rate – The discount rate used to measure the total pension liability at December 31, 2024 was 7.625%, which was unchanged from the prior year. 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
7.625%	\$ 32,117,913	\$ 23,704,504	\$ 16,555,971

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, 2024 (the latest period for which MTRS has provided financial data), the Commonwealth contributed \$5,234,554 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 0.2165%, 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 \$54,902,977 at June 30, 2024 (the latest period for which MTRS has provided financial data). The pension expense assumed by the Commonwealth on behalf of the Town was \$4,531,780 for the year ended June 30, 2024 (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, 2025.

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, 2025:

Inactive employees or beneficiaries receiving benefits	361
Active employees	<u>279</u>
	<u>640</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 2025. The costs of administering the OPEB Plan are paid by the Town. For the year ended June 30, 2025, the Town’s average contribution rate was approximately 4% of covered payroll.

Net OPEB Liability – The Town’s net OPEB liability was determined using an actuarial valuation as of July 1, 2023, which was rolled forward to June 30, 2025 (the measurement date). The components of the net OPEB liability at June 30, 2025 were as follows:

Total other postemployment benefits liability	\$ 28,600,887
Less Plan fiduciary net position	<u>4,094,251</u>
Net other postemployment benefits liability	<u>\$ 24,506,636</u>
Plan fiduciary net position as a percentage of total other postemployment benefits liability	14.3%

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
Healthcare Cost Trends	5.0% in 2024 trending down to an ultimate rate of 3.63% in 2060
Investment Rate of Return	6.49% (previously 6.81%)
Single Equivalent Discount Rate	6.49% (previously 6.81%)
Pre-retirement Mortality	RP-2014 Blue Collar Mortality Table projected generationally with scale MP-2021, set forward one year for females (non-teachers only); for teachers, the PubT-2010 Mortality Table (headcount-weighted) for Employees projected generationally with scale MP-2021
Post-retirement Mortality	RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with scale MP-2021, set forward one year for females (non-teachers only); for teachers, the PubT-2010 Mortality Table (headcount-weighted) for Healthy Annuitants projected generationally with scale MP-2021
Disabled Mortality	RP-2014 Blue Collar Healthy Annuitant Table projected generationally for scale MP-2021, set forward one year for males and two years for females (non-teachers only); for teachers, the PubT-2010 Mortality Table (headcount-weighted) for Healthy Annuitant projected generationally with scale MP-2021

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities - large cap	55.75%	4.91%
Domestic equities - small/mid cap	6.00%	5.29%
International equities - developed markets	8.75%	5.32%
International equities - emerging markets	3.75%	6.13%
Fixed income - domestic	16.50%	2.30%
Fixed income - international	1.00%	2.02%
Alternatives	4.00%	6.35%
Real estate	2.50%	6.25%
Cash	<u>1.75%</u>	<u>0.00%</u>
Total	<u>100.00%</u>	
Real rate of return		4.56%
Inflation assumption		<u>2.50%</u>
Total nominal return		7.06%
Less investment expense		<u>-0.25%</u>
Net investment return		<u>6.81%</u>

Discount Rate – The discount rate used to measure the total OPEB liability was 6.49% versus a discount rate of 6.81% 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, 2025:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	<i>(a)</i>	<i>(b)</i>	<i>(a) - (b)</i>
Balances at June 30, 2024	\$ 26,787,230	\$ 3,401,259	\$ 23,385,971
Changes for the year:			
Service cost	491,570	-	491,570
Interest	1,810,082	-	1,810,082
Changes in assumptions	933,476	-	933,476
Employer contributions	-	1,721,471	(1,721,471)
Net investment income	-	392,992	(392,992)
Benefit payments	<u>(1,421,471)</u>	<u>(1,421,471)</u>	<u>-</u>
Net changes	<u>1,813,657</u>	<u>692,992</u>	<u>1,120,665</u>
Balances at June 30, 2025	<u>\$ 28,600,887</u>	<u>\$ 4,094,251</u>	<u>\$ 24,506,636</u>

Sensitivity Analyses – The following presents the Town’s net OPEB liability at June 30, 2025 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
6.49%	\$ 21,194,902	\$ 24,506,636	\$ 28,544,278

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
5.00%	\$ 28,137,580	\$ 24,506,636	\$ 21,511,368

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2025, the Town recognized an OPEB expense of \$2,137,268. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2025 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 665,406	\$ 3,266,671
Changes of assumptions	3,131,244	1,809,682
Net difference between projected and actual earnings on OPEB Plan investments	-	241,516
	<u>\$ 3,796,650</u>	<u>\$ 5,317,869</u>

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

<u>Year Ended June 30,</u>	
2026	\$ 555,425
2027	(708,336)
2028	(1,524,739)
2029	<u>156,431</u>
	<u>\$ (1,521,219)</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, 2025, the annual money-weighted rate of return on investments, net of investment expense, was approximately 10.7%. 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, 2025 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, 2025.

Appellate Tax Board – The Town has pending cases filed with the Massachusetts Appellate Tax Board of the Commonwealth of Massachusetts (“ATB”). Assessed residential real estate values for ATB cases totaled approximately \$0.7 million at June 30, 2025. 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, 2025, approximately 23% of total general fund revenues were recognized from the Commonwealth or other governmental agencies.

IV. Implementation of Accounting Pronouncements

A. Current Year Implementations

In June 2022, the GASB issued GASB Statement No. 101, *Compensated Absences*. The objective of this Statement was 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 became effective in fiscal year 2025. The adoption of this accounting standard did not have a material effect on the Town's financial statements.

In December 2023, the GASB issued GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement was to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The provisions of this Statement became effective in fiscal year 2025. The adoption of this accounting standard did not have a material effect on the Town's financial statements.

B. Future Year Implementations

In April 2024, the GASB issued GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2025 (fiscal year 2026). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In September 2024, the GASB issued GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statements is to provide users of government financial statements with essential information about certain types of capital assets. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2025 (fiscal year 2026). 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
2025	3.69%	\$ 23,705	\$ 14,811	160.0%	70.2%
2024	3.82%	26,559	13,871	191.5%	66.6%
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%

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
2025	\$ 3,735	\$ 3,735	\$ -	\$ 14,811	25.2%
2024	3,709	3,709	-	13,871	26.7%
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%

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
2025	100%	0%	\$ 54,903	\$ 5,235	61.5%
2024	100%	0%	52,974	4,330	58.5%
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%

* 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.

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,								
	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability:									
Service cost	\$ 492	\$ 865	\$ 808	\$ 485	\$ 468	\$ 452	\$ 859	\$ 1,131	\$ 1,736
Interest	1,810	2,077	2,025	1,559	1,513	1,518	1,781	1,276	1,289
Changes in benefit terms	-	(3,553)	-	-	-	-	-	-	-
Differences in experience	-	(5,444)	-	2,580	-	(8,229)	-	(4,578)	-
Changes in assumptions	933	(3,016)	713	8,019	-	(1,239)	(6,620)	-	-
Benefit payments	(1,421)	(1,649)	(1,503)	(1,342)	(1,240)	(1,165)	(1,125)	(1,056)	(1,054)
Net Change in Total OPEB Liability	1,814	(10,720)	2,043	11,301	741	(8,663)	(5,105)	(3,227)	1,971
Total OPEB Liability:									
Beginning of year	25,787	36,507	34,464	24,163	23,422	32,085	37,190	40,417	38,446
End of year (a)	\$ 27,601	\$ 25,787	\$ 36,507	\$ 35,464	\$ 24,163	\$ 23,422	\$ 32,085	\$ 37,190	\$ 40,417
Plan Fiduciary Net Position:									
Contributions	\$ 1,721	\$ 1,949	\$ 1,803	\$ 1,642	\$ 1,540	\$ 1,465	\$ 1,425	\$ 1,156	\$ 1,154
Net investment income (loss)	393	374	296	(175)	406	50	95	3	1
Benefit payments	(1,421)	(1,649)	(1,503)	(1,342)	(1,240)	(1,165)	(1,125)	(1,056)	(1,054)
Net Change in Plan Fiduciary Net Position	693	674	596	125	706	350	395	103	101
Plan Fiduciary Net Position:									
Beginning of year	3,401	2,727	2,131	2,006	1,300	950	555	452	351
End of year (b)	\$ 4,094	\$ 3,401	\$ 2,727	\$ 2,131	\$ 2,006	\$ 1,300	\$ 950	\$ 555	\$ 452
Net OPEB Liability — End of Year	\$ 23,507	\$ 22,386	\$ 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	14.8%	13.2%	7.5%	6.0%	8.3%	5.6%	3.0%	1.5%	1.1%
Covered payroll	\$ 39,404	\$ 38,256	\$ 33,574	\$ 32,596	\$ 26,896	\$ 26,113	\$ 21,905	\$ 21,267	\$ 19,594
Net OPEB Liability as a Percentage of Covered Payroll	59.7%	58.5%	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		Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
		Actuarially- Determined Contribution	Contribution			
2025	\$ 1,762	\$ 1,721	\$ 41	\$ 39,404	4.4%	
2024	2,122	1,949	173	38,256	5.1%	
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, 2023
Asset valuation method	Market value of the assets as of the reporting date
Actuarial cost method	Individual entry age normal
Investment rate of return	6.49% (previously 6.81%)
Single equivalent discount rate	6.49% (previously 6.81%)
Healthcare cost trend rates	5.0% in 2024 trending down to an ultimate rate of 3.63% in 2060

SCHEDULE OF INVESTMENT RETURNS

Year Ended June 30,	Annual Money- Weighted Rate of Return (net of investment expenses)
	2025
2024	12.46%
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, 2025**

	Budgeted Amounts		Actual Budgetary Amounts	Articles and Encumbrances	Actual Budgetary Adjusted	Positive (Negative) Variance
	Original Budget	Final Budget				
Revenues:						
Property taxes, net of tax refunds	\$ 50,921,176	\$ 50,921,176	\$ 50,904,972		\$ 50,904,972	\$ (16,204)
Intergovernmental	12,927,727	12,927,727	12,906,521		12,906,521	(21,206)
Motor vehicle and other excise taxes	2,364,581	2,364,581	3,103,202		3,103,202	738,621
Licenses and permits	400,000	400,000	917,760		917,760	517,760
Penalties and interest on taxes	80,000	80,000	176,059		176,059	96,059
Fines and forfeitures	10,000	10,000	21,275		21,275	11,275
Departmental and other revenues	343,821	343,821	687,853		687,853	344,032
Investment income	150,000	150,000	1,049,981		1,049,981	899,981
Total Revenues	67,197,305	67,197,305	69,767,623		69,767,623	2,570,318
Expenditures:						
General government	5,291,437	5,254,037	4,579,068	\$ 579,632	5,158,700	95,337
Public safety	9,910,276	9,942,776	8,288,848	1,564,444	9,853,292	89,484
Education	34,066,556	34,066,556	33,687,677	365,601	34,053,278	13,278
Public works	5,821,100	5,821,100	4,962,437	527,177	5,489,614	331,486
Health and human services	550,674	553,074	530,512	-	530,512	22,562
Culture and recreation	1,115,861	1,118,361	1,044,988	47,453	1,092,441	25,920
Pension and fringe benefits	12,382,023	12,382,023	10,708,774	-	10,708,774	1,673,249
State and county charges	1,009,634	1,009,634	896,310	-	896,310	113,324
Debt service	4,432,132	4,432,132	3,673,006	-	3,673,006	759,126
Total Expenditures	74,579,693	74,579,693	68,371,620	\$ 3,084,307	71,455,927	3,123,766
Other Financing Sources (Uses):						
Transfers in	1,598,248	1,598,248	1,598,740		1,598,740	492
Transfers out	(2,950,000)	(2,950,000)	(2,950,000)		(2,950,000)	-
Total Other Financing Sources (Uses)	(1,351,752)	(1,351,752)	(1,351,260)		(1,351,260)	492
(Deficiency) Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(8,734,140)	(8,734,140)	\$ 44,743		\$ (3,039,564)	\$ 5,694,576
Other Budgetary Items:						
Prior year articles and encumbrances	3,350,388	3,350,388				
Free cash	5,383,752	5,383,752				
Total Other Budgetary Items	8,734,140	8,734,140				
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, 2025**

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			\$ 69,767,623
On behalf payments	\$ 4,531,780	\$ -	4,531,780
Stabilization interest	-	550,930	550,930
Revenues — GAAP basis	<u>\$ 4,531,780</u>	<u>\$ 550,930</u>	<u>\$ 74,850,333</u>
Expenditures — budgetary basis			\$ 68,371,620
Accounting for indirect costs	\$ -	\$ (792,248)	(792,248)
Transfer treatment - debt service	-	294,230	294,230
On behalf payments	4,531,780	-	4,531,780
Expenditures — GAAP basis	<u>\$ 4,531,780</u>	<u>\$ (498,018)</u>	<u>\$ 72,405,382</u>
Net transfers — budgetary basis			\$ (1,351,260)
Accounting for indirect costs	\$ -	\$ (792,248)	(792,248)
Transfer treatment - debt service	-	294,230	294,230
Stabilization transfers	-	(1,439,000)	(1,439,000)
Net transfers — GAAP basis	<u>\$ -</u>	<u>\$ (1,937,018)</u>	<u>\$ (3,288,278)</u>