



TOWN OF MEDFIELD, MASSACHUSETTS

Annual Financial Statements
For the Year Ended June 30, 2022

(With Independent Auditor's Report Thereon)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen
Town of Medfield, Massachusetts

Report on the Audit of the Financial Statements

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 Medfield, Massachusetts (the Town), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the 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 of Medfield, Massachusetts, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in the notes to the financial statements, in the year ending June 30, 2022, the Town adopted GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

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

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Responsibilities of Management for the Financial Statements

The Town's 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town’s ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2023 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town’s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Melanson". The signature is enclosed in a thin yellow rectangular border.

Andover, Massachusetts
March 20, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Medfield, Massachusetts (the Town), we offer readers this narrative overview and analysis of the financial activities of the for the fiscal year ended June 30, 2022.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

Proprietary Funds

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

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

Fiduciary Funds

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

Notes to Financial Statements

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

Required Supplementary Information

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

Financial Highlights

- As of the close of the current fiscal year, net position in governmental activities was \$63,676,482, a change of \$6,416,497, and net position in business-type activities was \$14,689,930, a change of \$852,943.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$26,863,768, a change of \$2,113,115 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,034,747, a change of \$(1,091,365) in comparison to the prior year.

Government-Wide Financial Analysis

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

	NET POSITION (in thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets						
Current and other assets	\$ 35,950	\$ 31,771	\$ 12,987	\$ 5,835	\$ 48,937	\$ 37,606
Capital assets	<u>113,663</u>	<u>116,202</u>	<u>19,468</u>	<u>15,765</u>	<u>133,131</u>	<u>131,967</u>
Total assets	149,613	147,973	32,455	21,600	182,068	169,573
Deferred outflows of resources	2,174	1,759	67	55	2,241	1,814
Liabilities						
Other liabilities	4,925	4,928	-	222	4,925	5,150
Long-term liabilities	<u>65,100</u>	<u>71,302</u>	<u>17,424</u>	<u>7,246</u>	<u>82,524</u>	<u>78,548</u>
Total liabilities	70,025	76,230	17,424	7,468	87,449	83,698
Deferred inflows of resources	18,085	16,242	408	350	18,493	16,592
Net Position						
Net investment in capital assets	91,378	91,082	11,645	9,529	103,023	100,611
Restricted	11,660	11,090	-	-	11,660	11,090
Unrestricted	<u>(39,361)</u>	<u>(44,912)</u>	<u>3,045</u>	<u>4,308</u>	<u>(36,316)</u>	<u>(40,604)</u>
Total net position	\$ <u>63,677</u>	\$ <u>57,260</u>	\$ <u>14,690</u>	\$ <u>13,837</u>	\$ <u>78,367</u>	\$ <u>71,097</u>

As noted earlier, net position may serve over time as a useful indicator of the Town's financial position. At the close of the most recent fiscal year, total net position was \$78,366,412, a change of \$7,269,440 in comparison to the prior year.

The largest portion of net position \$103,023,244 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$11,659,622 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit of \$(36,316,454) primarily resulting from unfunded pension and OPEB liabilities.

CHANGE IN NET POSITION						
(in thousands)						
	Governmental <u>Activities</u>		Business-Type <u>Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenues						
Program revenues:						
Charges for services	\$ 5,251	\$ 4,654	\$ 4,561	\$ 4,941	\$ 9,812	\$ 9,595
Operating grants and contributions	17,714	22,666	-	-	17,714	22,666
Capital grants and contributions	1,072	119	-	-	1,072	119
General revenues:						
Property taxes	51,971	50,630	-	-	51,971	50,630
Excise taxes	2,328	2,274	-	-	2,328	2,274
Penalties, interest, and other taxes	350	283	-	-	350	283
Grants and contributions not restricted to specific programs	1,829	1,756	-	-	1,829	1,756
Investment income (loss)	(123)	260	-	-	(123)	260
Miscellaneous	197	88	-	-	197	88
Total revenues	80,589	82,730	4,561	4,941	85,150	87,671
Expenses						
General government	4,573	4,867	-	-	4,573	4,867
Public safety	6,335	6,279	-	-	6,335	6,279
Education	52,927	58,724	-	-	52,927	58,724
Public works	5,637	5,107	-	-	5,637	5,107
Health and human services	1,015	1,076	-	-	1,015	1,076
Culture and recreation	2,120	1,839	-	-	2,120	1,839
Interest on long-term debt	963	897	-	-	963	897
Intergovernmental	602	576	-	-	602	576
Water services	-	-	1,925	1,731	1,925	1,731
Sewer services	-	-	1,783	1,706	1,783	1,706
Total expenses	74,172	79,365	3,708	3,437	77,880	82,802
Change in net position	6,417	3,365	853	1,504	7,270	4,869
Net position - beginning of year	57,260	53,895	13,837	12,333	71,097	66,228
Net position - end of year	<u>\$ 63,677</u>	<u>\$ 57,260</u>	<u>\$ 14,690</u>	<u>\$ 13,837</u>	<u>\$ 78,367</u>	<u>\$ 71,097</u>

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$6,416,497. Key elements of this change are as follows:

Change in net pension liability, net of related deferrals	\$ 2,092,131
Change in net OPEB liability, net of related deferrals	1,592,947
Special revenue fund revenue in excess of expenditures (CARES and School Lunch)	<u>2,731,419</u>
Total	<u>\$ 6,416,497</u>

Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$852,943. This primarily resulted from an increase in user consumption of both water and sewer services from the prior fiscal year.

Financial Analysis of the Town’s Funds

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

Governmental Funds

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

General Fund

The General Fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$8,034,747, while total fund balance was \$18,174,113. The Town’s unassigned fund balance decreased by \$1,091,365 primarily from favorable budgetary results of \$2,468,959 (page 64), less \$823,217 for the Municipal Building Stabilization Fund which was classified as unassigned in the prior fiscal year, and less \$2,525,000 of free cash used to fund the Capital Stabilization Fund and OPEB Trust Fund. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to General Fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Change</u>	<u>% of General Fund Expenditures*</u>
Unassigned fund balance	\$ 8,034,747	\$ 9,126,112	\$ (1,091,365)	12.3%
Total fund balance	\$ 18,174,113	\$ 18,422,873	\$ (248,760)	27.8%

*Expenditure amounts used to calculate the above percentages have been adjusted to exclude the on-behalf payment from the Commonwealth of Massachusetts to the Massachusetts Teachers Retirement System of \$5,931,636.

The total fund balance of the General Fund changed by \$(248,760) during the current fiscal year. Key factors in this change are as follows:

Use of free cash and overlay surplus as a funding source	\$ (1,707,893)
Use of restricted fund balance	(1,340,428)
Revenues in excess of budget	1,033,620
Expenditures less than budget	1,929,431
Other	<u>(163,490)</u>
Total	\$ <u><u>(248,760)</u></u>

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

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Change</u>
General stabilization	\$ 2,390,290	\$ 1,729,819	\$ 660,471
Pension reserve trust	3,512,538	3,657,683	(145,145)
Betterment stabilization	-	39,833	(39,833)
Capital stabilization	21,521	-	21,521
Municipal building stabilization	<u>823,217</u>	<u>547,086</u>	<u>276,131</u>
Total	\$ <u><u>6,747,566</u></u>	\$ <u><u>5,974,421</u></u>	\$ <u><u>773,145</u></u>

Nonmajor Governmental Funds

The fund balance of nonmajor governmental funds balance changed by \$2,361,876 primarily from timing differences between the receipt and disbursement of grants.

Proprietary Funds

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$3,044,697, a change of \$(1,263,399) in comparison to the prior year.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

General Fund Budgetary Highlights

There were differences between the original budget and the final amended budget.

Capital Assets and Debt Administration

Capital Assets

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$133,130,528 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, machinery and equipment, vehicles, textbooks and software, construction in progress, and infrastructure.

Major capital asset acquisitions during the current fiscal year included the following:

- \$1,193,625 Police and fire vehicles
- \$885,000 Water infrastructure project

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

Long-Term Debt

At the end of the current fiscal year, total bonded debt and loans outstanding, including unamortized bond premium, were \$38,868,334, all of which was backed by the full faith and credit of the Town.

The Town maintained their Aa1 rating from Moody's for general obligation debt.

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

Requests for Information

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

Office of the Town Accountant
Town of Medfield
459 Main Street
Medfield, MA 02052

TOWN OF MEDFIELD, MASSACHUSETTS

Statement of Net Position
June 30, 2022

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and short-term investments	\$ 22,570,738	\$ 11,269,439	\$ 33,840,177
Investments	9,176,867	-	9,176,867
Receivables:			
Property taxes	663,871	-	663,871
Excises	176,885	-	176,885
User fees	-	1,717,804	1,717,804
Departmental and other	486,816	-	486,816
Intergovernmental	533,006	-	533,006
Leases	<u>169,001</u>	<u>-</u>	<u>169,001</u>
Total Current Assets	33,777,184	12,987,243	46,764,427
Noncurrent:			
Receivables:			
Property taxes	340,832	-	340,832
Leases	1,576,034	-	1,576,034
Special assessments	255,543	-	255,543
Capital assets:			
Nondepreciable capital assets	22,295,085	5,445,177	27,740,262
Other capital assets, net of accumulated depreciation	<u>91,367,926</u>	<u>14,022,340</u>	<u>105,390,266</u>
Total Noncurrent Assets	<u>115,835,420</u>	<u>19,467,517</u>	<u>135,302,937</u>
Total Assets	149,612,604	32,454,760	182,067,364
Deferred Outflows of Resources			
Related to pension	1,456,641	52,496	1,509,137
Related to OPEB	713,182	14,231	727,413
Other	<u>4,231</u>	<u>-</u>	<u>4,231</u>
Total Deferred Outflows of Resources	2,174,054	66,727	2,240,781

(continued)

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

TOWN OF MEDFIELD, MASSACHUSETTS

Statement of Net Position
June 30, 2022

(continued)

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Liabilities			
Current:			
Warrants and accounts payable	\$ 821,930	\$ -	\$ 821,930
Accrued liabilities	3,186,715	-	3,186,715
Unearned revenues	387,058	-	387,058
Other current liabilities	529,624	-	529,624
Current portion of long-term liabilities:			
Bonds and loans payable	3,343,353	1,139,010	4,482,363
Compensated absences liability	<u>62,043</u>	<u>1,957</u>	<u>64,000</u>
Total Current Liabilities	8,330,723	1,140,967	9,471,690
Noncurrent:			
Bonds and loans payable, net of current portion	19,576,951	15,220,896	34,797,847
Compensated absences liability, net of current portion	1,178,817	37,180	1,215,997
Net pension liability	12,889,984	464,544	13,354,528
Net OPEB liability	<u>28,049,056</u>	<u>559,887</u>	<u>28,608,943</u>
Total Noncurrent Liabilities	<u>61,694,808</u>	<u>16,282,507</u>	<u>77,977,315</u>
Total Liabilities	70,025,531	17,423,474	87,449,005
Deferred Inflows of Resources			
Related to pension	5,095,721	183,643	5,279,364
Related to OPEB	11,243,889	224,440	11,468,329
Related to leases	<u>1,745,035</u>	<u>-</u>	<u>1,745,035</u>
Total Deferred Inflows of Resources	18,084,645	408,083	18,492,728
Net Position			
Net investment in capital assets	91,378,011	11,645,233	103,023,244
Restricted for:			
Pension reserve	3,512,538	-	3,512,538
Debt service	638,045	-	638,045
Grants and other statutory restrictions	5,016,599	-	5,016,599
Endowment funds:			
Expendable	2,492,440	-	2,492,440
Unrestricted	<u>(39,361,151)</u>	<u>3,044,697</u>	<u>(36,316,454)</u>
Total Net Position	<u>\$ 63,676,482</u>	<u>\$ 14,689,930</u>	<u>\$ 78,366,412</u>

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

TOWN OF MEDFIELD, MASSACHUSETTS

Statement of Activities
For the Year Ended June 30, 2022

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses)</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Revenues</u>
					<u>Total</u>
Governmental Activities					
General government	\$ 4,572,740	\$ 2,589,704	\$ 1,080,373	\$ -	\$ (902,663)
Public safety	6,335,167	837,718	127,891	-	(5,369,558)
Education	52,927,492	1,569,702	16,335,067	126,347	(34,896,376)
Public works	5,637,477	216,728	30,492	945,588	(4,444,669)
Health and human services	1,015,133	37,100	67,709	-	(910,324)
Culture and recreation	2,120,140	481	72,021	-	(2,047,638)
Interest on long-term debt	963,110	-	-	-	(963,110)
Intergovernmental	<u>602,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(602,050)</u>
Total Governmental Activities	74,173,309	5,251,433	17,713,553	1,071,935	(50,136,388)
Business-Type Activities					
Water services	1,925,157	2,571,096	-	-	645,939
Sewer services	<u>1,782,944</u>	<u>1,989,948</u>	<u>-</u>	<u>-</u>	<u>207,004</u>
Total Business-Type Activities	<u>3,708,101</u>	<u>4,561,044</u>	<u>-</u>	<u>-</u>	<u>852,943</u>
Total	<u>\$ 77,881,410</u>	<u>\$ 9,812,477</u>	<u>\$ 17,713,553</u>	<u>\$ 1,071,935</u>	<u>(49,283,445)</u>

(continued)

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

TOWN OF MEDFIELD, MASSACHUSETTS

Statement of Activities
For the Year Ended June 30, 2022

(continued)

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Change in net (expenses) revenues from previous page	\$ (50,136,388)	\$ 852,943	\$ (49,283,445)
General Revenues			
Property taxes	51,971,340	-	51,971,340
Excise taxes	2,327,607	-	2,327,607
Penalties, interest, and other taxes	350,364	-	350,364
Grants and contributions not restricted to specific programs	1,829,829	-	1,829,829
Investment income (loss)	(123,125)	-	(123,125)
Miscellaneous	<u>196,870</u>	<u>-</u>	<u>196,870</u>
Total General Revenues	<u>56,552,885</u>	<u>-</u>	<u>56,552,885</u>
Change in Net Position	6,416,497	852,943	7,269,440
Net Position:			
Beginning of Year	<u>57,259,985</u>	<u>13,836,987</u>	<u>71,096,972</u>
End of Year	<u>\$ 63,676,482</u>	<u>\$ 14,689,930</u>	<u>\$ 78,366,412</u>

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

TOWN OF MEDFIELD, MASSACHUSETTS

Governmental Funds
Balance Sheet
June 30, 2022

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Assets			
Cash and short-term investments	\$ 15,377,622	\$ 7,193,116	\$ 22,570,738
Investments	6,763,645	2,413,222	9,176,867
Receivables:			
Property taxes	1,004,703	-	1,004,703
Excises	176,885	-	176,885
Departmental and other	486,816	-	486,816
Special assessments	255,543	-	255,543
Intergovernmental	41,490	491,516	533,006
Leases	<u>1,745,035</u>	<u>-</u>	<u>1,745,035</u>
Total Assets	<u>\$ 25,851,739</u>	<u>\$ 10,097,854</u>	<u>\$ 35,949,593</u>
Liabilities			
Warrants and accounts payable	\$ 821,930	\$ -	\$ 821,930
Accrued liabilities	3,186,714	-	3,186,714
Unearned revenues	-	387,058	387,058
Other liabilities	<u>-</u>	<u>529,624</u>	<u>529,624</u>
Total Liabilities	4,008,644	916,682	4,925,326
Deferred Inflows of Resources			
Unavailable revenues	1,923,947	491,516	2,415,463
Leases	1,745,035	-	1,745,035
Fund Balances			
Restricted	4,123,055	8,779,371	12,902,426
Committed	5,264,544	-	5,264,544
Assigned	751,767	-	751,767
Unassigned	<u>8,034,747</u>	<u>(89,715)</u>	<u>7,945,032</u>
Total Fund Balances	<u>18,174,113</u>	<u>8,689,656</u>	<u>26,863,769</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 25,851,739</u>	<u>\$ 10,097,854</u>	<u>\$ 35,949,593</u>

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

TOWN OF MEDFIELD, MASSACHUSETTS

Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
in the Statement of Net Position
June 30, 2022

Total governmental fund balances	\$ 26,863,769
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	113,663,011
Deferred outflows of resources related to pensions to be recognized in pension expense in future periods.	1,456,641
Deferred outflows of resources related to OPEB to be recognized in OPEB expense in future periods.	713,182
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	2,415,463
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds and loans payable	(22,920,304)
Net pension liability	(12,889,984)
Net OPEB liability	(28,049,056)
Compensated absences	(1,240,860)
Deferred inflows of resources related to pensions to be recognized in pension expense in future periods.	(5,095,721)
Deferred inflows of resources related to OPEB to be recognized in OPEB expense in future periods.	(11,243,889)
Other reconciling items.	<u>4,230</u>
Net position of governmental activities	<u>\$ 63,676,482</u>

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

TOWN OF MEDFIELD, MASSACHUSETTS

Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2022

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues			
Property taxes	\$ 51,925,064	\$ -	\$ 51,925,064
Excises taxes	2,280,299	-	2,280,299
Penalties, interest, and other taxes	344,020	-	344,020
Charges for services	781,296	3,634,313	4,415,609
Intergovernmental	14,213,607	4,502,662	18,716,269
Licenses and permits	757,758	-	757,758
Fines and forfeitures	6,344	-	6,344
Investment income (loss)	(58,361)	(64,764)	(123,125)
Contributions and donations	126,347	1,216,022	1,342,369
Miscellaneous	<u>260,038</u>	<u>92,160</u>	<u>352,198</u>
Total Revenues	70,636,412	9,380,393	80,016,805
Expenditures			
Current:			
General government	2,980,237	1,197,661	4,177,898
Public safety	5,179,207	741,973	5,921,180
Education	39,488,041	3,845,635	43,333,676
Public works	2,989,822	750,881	3,740,703
Health and human services	564,089	281,785	845,874
Culture and recreation	1,090,887	830,896	1,921,783
Employee benefits	13,748,928	1,079	13,750,007
Debt service:			
Principal	3,691,196	-	3,691,196
Interest	938,051	-	938,051
Intergovernmental	<u>601,886</u>	<u>-</u>	<u>601,886</u>
Total Expenditures	<u>71,272,344</u>	<u>7,649,910</u>	<u>78,922,254</u>
Excess (Deficiency) of Revenues over Expenditures	(635,932)	1,730,483	1,094,551
Other Financings Sources (Uses)			
Issuance of bonds	-	871,000	871,000
Issuance of refunding bonds	1,225,200	-	1,225,200
Payments to refunded escrow agent	(1,334,667)	-	(1,334,667)
Bond premiums	109,467	147,565	257,032
Transfers in	387,172	58,650	445,822
Transfers out	<u>-</u>	<u>(445,822)</u>	<u>(445,822)</u>
Total Other Financing Sources (Uses)	<u>387,172</u>	<u>631,393</u>	<u>1,018,565</u>
Change in fund balance	(248,760)	2,361,876	2,113,116
Fund Balance, at Beginning of Year	<u>18,422,873</u>	<u>6,327,780</u>	<u>24,750,653</u>
Fund Balance, at End of Year	\$ <u><u>18,174,113</u></u>	\$ <u><u>8,689,656</u></u>	\$ <u><u>26,863,769</u></u>

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

TOWN OF MEDFIELD, MASSACHUSETTS

Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2022

Net changes in fund balances - total governmental funds	\$ 2,113,116																										
<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;">Capital outlay</td> <td style="text-align: right;">2,076,612</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(4,615,853)</td> </tr> </table> • The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;">Issuance of general obligation bonds</td> <td style="text-align: right;">(881,200)</td> </tr> <tr> <td>Premiums received on issuance of general obligation bonds</td> <td style="text-align: right;">(256,467)</td> </tr> <tr> <td>Repayments of general obligation bonds</td> <td style="text-align: right;">3,716,200</td> </tr> </table> • Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue, net of change in allowance for doubtful accounts. <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">322,856</td> </tr> </table> • Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;">Change in net pension liability and related deferred outflows and inflows</td> <td style="text-align: right;">2,092,131</td> </tr> <tr> <td>Change in net OPEB liability and related deferred outflows and inflows</td> <td style="text-align: right;">1,592,947</td> </tr> <tr> <td>Change in compensated absences</td> <td style="text-align: right;">70,114</td> </tr> <tr> <td>Bond premium amortization</td> <td style="text-align: right;">98,101</td> </tr> <tr> <td>Amortization on deferred amount on prior year refunding</td> <td style="text-align: right;">(28,497)</td> </tr> <tr> <td>Change in accrued interest on bonds payable</td> <td style="text-align: right;">190,715</td> </tr> </table> • Other differences. <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right; border-top: 1px solid black;">(74,278)</td> </tr> </table> 		Capital outlay	2,076,612	Depreciation	(4,615,853)	Issuance of general obligation bonds	(881,200)	Premiums received on issuance of general obligation bonds	(256,467)	Repayments of general obligation bonds	3,716,200		322,856	Change in net pension liability and related deferred outflows and inflows	2,092,131	Change in net OPEB liability and related deferred outflows and inflows	1,592,947	Change in compensated absences	70,114	Bond premium amortization	98,101	Amortization on deferred amount on prior year refunding	(28,497)	Change in accrued interest on bonds payable	190,715		(74,278)
Capital outlay	2,076,612																										
Depreciation	(4,615,853)																										
Issuance of general obligation bonds	(881,200)																										
Premiums received on issuance of general obligation bonds	(256,467)																										
Repayments of general obligation bonds	3,716,200																										
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Bond premium amortization	98,101																										
Amortization on deferred amount on prior year refunding	(28,497)																										
Change in accrued interest on bonds payable	190,715																										
	(74,278)																										
Change in net position of governmental activities	\$ <u>6,416,497</u>																										

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

TOWN OF MEDFIELD, MASSACHUSETTS

Proprietary Funds
Statement of Net Position
June 30, 2022

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Assets			
Current:			
Cash and short-term investments	\$ 9,441,284	\$ 1,828,155	\$ 11,269,439
User fees receivable	997,152	720,652	1,717,804
Total Current Assets	10,438,436	2,548,807	12,987,243
Noncurrent:			
Capital assets:			
Nondepreciable capital assets	5,354,617	90,560	5,445,177
Other capital assets, net of accumulated depreciation	9,994,607	4,027,733	14,022,340
Total Noncurrent Assets	15,349,224	4,118,293	19,467,517
Total Assets	25,787,660	6,667,100	32,454,760
Deferred Outflows of Resources			
Related to pensions	33,518	18,978	52,496
Related to OPEB	6,476	7,755	14,231
Total Deferred Outflows of Resources	39,994	26,733	66,727

(continued)

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

TOWN OF MEDFIELD, MASSACHUSETTS

Proprietary Funds
Statement of Net Position
June 30, 2022

(continued)

	Business-Type Activities		
	Enterprise Funds		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Liabilities			
Current:			
Current portion of long-term liabilities:			
Bonds and loans payable	985,810	153,200	1,139,010
Compensated absences	<u>1,375</u>	<u>582</u>	<u>1,957</u>
Total Current Liabilities	987,185	153,782	1,140,967
Noncurrent:			
Bonds and loans payable, net of current portion	14,434,580	786,316	15,220,896
Net pension liability	296,602	167,942	464,544
Net OPEB liability	254,927	304,960	559,887
Compensated absences, net of current portion	<u>26,130</u>	<u>11,050</u>	<u>37,180</u>
Total Noncurrent Liabilities	<u>15,012,239</u>	<u>1,270,268</u>	<u>16,282,507</u>
Total Liabilities	15,999,424	1,424,050	17,423,474
Deferred Inflows of Resources			
Related to pensions	117,254	66,389	183,643
Related to OPEB	<u>102,192</u>	<u>122,248</u>	<u>224,440</u>
Total Deferred Inflows of Resources	219,446	188,637	408,083
Net Position			
Net investment in capital assets	8,466,456	3,178,777	11,645,233
Unrestricted	<u>1,142,328</u>	<u>1,902,369</u>	<u>3,044,697</u>
Total Net Position	<u>\$ 9,608,784</u>	<u>\$ 5,081,146</u>	<u>\$ 14,689,930</u>

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

TOWN OF MEDFIELD, MASSACHUSETTS

Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2022

	Business-Type Activities		
	Enterprise Funds		
	Water <u>Fund</u>	Sewer <u>Fund</u>	<u>Total</u>
Operating Revenues			
Charges for services	\$ <u>2,571,096</u>	\$ <u>1,989,948</u>	\$ <u>4,561,044</u>
Total Operating Revenues	2,571,096	1,989,948	4,561,044
Operating Expenses			
Salaries and benefits	407,346	311,113	718,459
Other operating expenses	910,201	1,239,746	2,149,947
Depreciation	<u>349,509</u>	<u>215,108</u>	<u>564,617</u>
Total Operating Expenses	<u>1,667,056</u>	<u>1,765,967</u>	<u>3,433,023</u>
Operating Income	904,040	223,981	1,128,021
Nonoperating (Expenses)			
Interest expense	<u>(258,101)</u>	<u>(16,977)</u>	<u>(275,078)</u>
Total Nonoperating (Expenses), Net	<u>(258,101)</u>	<u>(16,977)</u>	<u>(275,078)</u>
Change in Net Position	645,939	207,004	852,943
Net Position, Beginning of Year	<u>8,962,845</u>	<u>4,874,142</u>	<u>13,836,987</u>
Net Position, End of Year	<u>\$ <u>9,608,784</u></u>	<u>\$ <u>5,081,146</u></u>	<u>\$ <u>14,689,930</u></u>

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

TOWN OF MEDFIELD, MASSACHUSETTS

Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2022

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 2,764,596	\$ 2,022,134	\$ 4,786,730
Payments to employees	(469,727)	(353,821)	(823,548)
Payments to vendors	<u>(910,201)</u>	<u>(1,256,176)</u>	<u>(2,166,377)</u>
Net Cash Provided By Operating Activities	1,384,668	412,137	1,796,805
Cash Flows From Capital and Related Financing Activities			
Proceeds of bonds	10,588,800	-	10,588,800
Proceeds of bond premiums	1,116,200	-	1,116,200
Acquisition and construction of capital assets	(4,250,264)	(16,741)	(4,267,005)
Principal payments on bonds and loans	(1,068,800)	(251,722)	(1,320,522)
Principal payments on notes	(205,000)	-	(205,000)
Interest expense	<u>(313,912)</u>	<u>(16,977)</u>	<u>(330,889)</u>
Net Cash Provided By (Used For) Capital and Related Financing Activities	<u>5,867,024</u>	<u>(285,440)</u>	<u>5,581,584</u>
Net Change in Cash and Short-Term Investments	7,251,692	126,697	7,378,389
Cash and Short-Term Investments, Beginning of Year	<u>2,189,592</u>	<u>1,701,458</u>	<u>3,891,050</u>
Cash and Short-Term Investments, End of Year	<u>\$ 9,441,284</u>	<u>\$ 1,828,155</u>	<u>\$ 11,269,439</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities			
Operating income	\$ 904,040	\$ 223,981	\$ 1,128,021
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	349,509	215,108	564,617
Changes in assets, liabilities, and deferred outflows/inflows:			
User fees receivable	193,500	32,186	225,686
Deferred outflows - related to pensions	(3,877)	(2,195)	(6,072)
Deferred outflows - related to OPEB	(2,499)	(2,992)	(5,491)
Accrued liabilities	236	(14,558)	(14,322)
Net pension liability	(124,275)	(70,367)	(194,642)
Net OPEB liability	18,743	22,421	41,164
Deferred inflows - related to pensions	80,011	45,302	125,313
Deferred inflows - related to OPEB	<u>(30,720)</u>	<u>(36,749)</u>	<u>(67,469)</u>
Net Cash Provided By Operating Activities	<u>\$ 1,384,668</u>	<u>\$ 412,137</u>	<u>\$ 1,796,805</u>

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

TOWN OF MEDFIELD, MASSACHUSETTS

Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2022

	<u>OPEB Trust Fund</u>	<u>Private Purpose Trust Fund</u>	<u>Custodial Funds</u>
Assets			
Cash and short-term investments	\$ -	\$ 127,533	\$ 221,112
Investments:			
External investment pool	<u>5,897,842</u>	<u>-</u>	<u>-</u>
Total Assets	5,897,842	127,533	221,112
Net Position			
Restricted for OPEB purposes	5,897,842	-	-
Restricted for other purposes	<u>-</u>	<u>127,533</u>	<u>221,112</u>
Total Net Position	\$ <u><u>5,897,842</u></u>	\$ <u><u>127,533</u></u>	\$ <u><u>221,112</u></u>

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

TOWN OF MEDFIELD, MASSACHUSETTS

Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2022

	<u>OPEB Trust Fund</u>	<u>Private Purpose Trust Fund</u>	<u>Custodial Funds</u>
Additions			
Contributions:			
Employer	\$ <u>1,773,224</u>	\$ <u>-</u>	\$ <u>-</u>
Total contributions	1,773,224	-	-
Investment income:			
Interest	115,952	1,725	22
Increase (Decrease) in fair value of investments	<u>(359,669)</u>	<u>-</u>	<u>-</u>
Net investment income (loss)	(243,717)	1,725	22
Fees collected for students	<u>-</u>	<u>-</u>	<u>517,473</u>
Total Additions	1,529,507	1,725	517,495
Deductions			
Benefit payments to plan members, beneficiaries and other systems	1,305,724	-	-
Payments on behalf of students	-	-	460,373
Other	<u>-</u>	<u>10,133</u>	<u>31,085</u>
Total Deductions	<u>1,305,724</u>	<u>10,133</u>	<u>491,458</u>
Net Increase (Decrease)	223,783	(8,408)	26,037
Net Position Restricted for OPEB and Other Purposes			
Beginning of year	<u>5,674,059</u>	<u>135,941</u>	<u>195,075</u>
End of year	<u>\$ 5,897,842</u>	<u>\$ 127,533</u>	<u>\$ 221,112</u>

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

TOWN OF MEDFIELD, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Medfield, Massachusetts (the Town) conform to Generally Accepted Accounting Principles (GAAP) as applicable to governmental units. The following is a summary of the significant policies:

Reporting Entity

The Town is a municipal corporation governed by an elected Board of Selectmen. As required by GAAP, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2022, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures such as debt service, claims and judgments, compensated absences, OPEB, and pension are recorded only when payment is due.

The Town reports the following major governmental funds:

- The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services,

administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports the following major proprietary funds:

- Water operations
- Sewer operations

The fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

The Town reports the following fiduciary funds:

- The *Other Post-Employment Benefit Trust Fund* is used to accumulate resources for health and life insurance benefits for retired employees.
- The *Private-Purpose Trust Fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.
- The *Custodial Funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others and are not required to be reported elsewhere on the financial statements. Custodial funds include fees collected on behalf of students.

Cash and Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, savings accounts, and money market accounts. Generally, a cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments".

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be cash equivalents.

Where applicable, fair values are based on quotations from national securities exchanges, except for certain investments that are required to be presented using net asset value (NAV). The NAV per share is the amount of net assets attributable to each share of capital stock outstanding at the close of the period. Investments measured at NAV for fair value are not subject to level classification.

The Town invests in the Massachusetts Municipal Depository Trust (MMDT) Cash Portfolio, an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts. This cash portfolio meets the requirements of GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and investments are valued at amortized cost which approximates the net asset value of \$1 per share.

Investments are carried at fair value, except certificates of deposit which are reported at cost.

Property Tax Limitations

Legislation known as “Proposition 2½” has limited the amount of revenue that can be derived from property taxes. The prior fiscal year’s tax levy limit is used as a base and cannot increase by more than 2.5% (excluding new growth), unless an override is voted. The actual fiscal year 2021 tax levy reflected an excess capacity of \$16,601. Certain provisions of Proposition 2 ½ can be overridden by a referendum.

Leases

The Town recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the Town initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term on a straight-line basis over its useful life. The following key assumptions are made:

The Town uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease, including renewal terms reasonably certain to be exercised. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The Town monitors changes in circumstances that would require a remeasurement of its lease receivable and will remeasure the lease receivable if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Capital Assets

Capital assets, which include land, land improvements, buildings and improvements, machinery and equipment, vehicles, textbooks and software, and infrastructure are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$25,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Computer software	3-7
Office equipment	3-10
Vehicles	5
Building improvements	20
Buildings	40
Infrastructure	30-75

Compensated Absences

It is the Town’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

Fund Equity

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

Fund Balance

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

Restricted

Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes funds restricted for the pension reserve fund, future debt service, various special revenue and capital project funds, and the income portion of permanent trust funds.

Committed

Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes General Fund encumbrances for non-lapsing special article appropriations approved at Town Meeting and funds committed to funding the capital stabilization and OPEB Trust funds.

Assigned

Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

Unassigned

Represents amounts that are available to be spent in future periods, general stabilization funds, and deficit funds.

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

Net Position

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

Use of Estimates

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

2. Stewardship, Compliance, and Accountability

Budgetary Information

At the annual town meeting, the Finance Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the reserve fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public.

Formal budgetary integration is employed as a management control device during the year for the General Fund.

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

Deficit Fund Equity

Certain individual funds reflected deficit balances as of June 30, 2022.

It is anticipated that the deficits in these funds will be eliminated through future departmental revenues, intergovernmental revenues, and bond proceeds.

3. Deposits and Investments

Massachusetts General Law's (MGL) Chapter 44, Section 55 places certain limitation on the nature of deposits and investments available to the Town. Deposits, including demand deposits, money markets, certificates of deposits in any one financial institution, may not exceed 60% of the capital and surplus of such institution unless collateralized by the

institution involved. Investments may be made in unconditionally guaranteed U.S. government obligations have maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consist of such obligations. Other allowable investments include certificates of deposits having a maturity date of up to 3 years from the date of purchase, national banks, and Massachusetts Municipal Depository Trust (MMDT). MMDT, which is an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts, meets the criteria established by Governmental Accounting Standards Board (GASB) 79. MMDT has an average maturity of less than 1 year and is not rated or subject to custodial credit risk disclosure. MGL Chapter 44, Section 54 provides additional investment options for certain special revenue, trust, and OPEB funds.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of bank failure, the Town’s deposits may not be returned. The Town’s policies related to the custodial credit risk of deposits is to limit the Town’s uninsured, uncollateralized deposits to 5% of any one institution’s assets and no more than 30% of the Town’s cash.

As of June 30, 2022, \$9,752,537, of the Town’s bank balance of \$50,681,974 was exposed to custodial credit risk as uninsured and uncollateralized. Additionally, \$16,198,587 was invested in MMDT, which is not subject to this disclosure.

Investment Summary

The following is a summary of the Town’s investments as of June 30, 2022:

<u>Investment Type</u>	<u>Amount</u>
Corporate bonds	\$ 3,842,970
Corporate equities	1,138,821
Exchange traded funds	1,243,401
External investment pool	5,897,842
Federal agency securities	673,517
Market-linked certificates of deposit	425,043
U.S. Treasury notes	<u>1,853,116</u>
Total Investments	<u>\$ 15,074,710</u>

Custodial Credit Risk – Investments

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Town will not be able to recover the value of its investment or collateral securities that are in possession of another party. The Town’s custodial credit risk policy is to limit the Town’s exposure to only those institutions with a proven financial strength, capital adequacy, and an overall affirmative reputation in the municipal industry.

As of June 30, 2022, \$7,933,467 was subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and held by the Town's brokerage firm, which is also the counterparty to these securities as follows:

<u>Investment Type</u>	<u>Amount</u>	Held by <u>Counterparty</u>	Held by Counterparty's <u>Trust or Agent</u>
Corporate bonds	\$ 3,842,970	\$ -	\$ 3,842,970
Corporate equities	1,138,821	-	1,138,821
Federal agency securities	673,517	-	673,517
Market-linked certificates of deposit	425,043	-	425,043
U.S. Treasury notes	<u>1,853,116</u>	<u>-</u>	<u>1,853,116</u>
Total	<u>\$ 7,933,467</u>	<u>\$ -</u>	<u>\$ 7,933,467</u>

Credit Risk – Investments in Debt Securities

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. The Town's investment policies related to credit risk are to place no limit on investments in MMDT and U.S. Treasuries and Agencies. With regards to other investments, the Treasurer will limit purchases to investment grade securities with a high concentration in securities rated A or better.

As of June 30, 2022, the credit quality ratings, as rated by Moody's Investors Service, of the Town's debt securities are as follows (U.S. Treasury notes have an implied rating of AAA):

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>					
		<u>Aaa</u>	<u>Aa3</u>	<u>A3-A1</u>	<u>Baa1</u>	<u>Baa2</u>	<u>Unrated</u>
Corporate bonds	\$ 3,842,970	\$ -	\$ -	\$ 2,793,990	232,205	\$ 816,775	\$ -
Federal agency securities	673,517	673,517	-	-	-	-	673,517
Market-linked certificates of deposit	<u>425,043</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>425,043</u>
Total	<u>\$ 4,941,530</u>	<u>\$ 673,517</u>	<u>\$ -</u>	<u>\$ 2,793,990</u>	<u>\$ 232,205</u>	<u>\$ 816,775</u>	<u>\$ 1,098,560</u>

Concentration of Credit Risk – Investments

Concentration of credit risk is the risk of loss attributable to the magnitude of the Town's investment in a single issuer. The Town places no limit on the amount invested in any one issuer. The Town does not have formal investment policies related to concentration of credit risk exposure.

As of June 30, 2022, the Town does not have investments in any one issuer that exceeded 5% of total investments.

Interest Rate Risk – Investments in Debt Securities

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town's policy related to

interest rate risk is to limit the investment of short-term funds to maturities of up to twelve months.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>		
		Less		
		<u>Than 1</u>	<u>1-5</u>	<u>6-10</u>
Corporate bonds	\$ 3,842,970	\$ 249,988	\$ 3,214,212	\$ 378,770
Federal agency securities	673,517	205,431	315,637	152,449
Market-linked certificates of deposit	425,043	400,788	24,255	-
U.S. Treasury notes	<u>1,853,116</u>	<u>762,853</u>	<u>1,090,263</u>	<u>-</u>
Total	<u>\$ 6,794,646</u>	<u>\$ 1,619,060</u>	<u>\$ 4,644,367</u>	<u>\$ 531,219</u>

Foreign Currency Risk – Investments

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have formal investment policies related to foreign currency risk.

Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* (GASB 72).

The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date.
- Level 2 – inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as Level 2.
- Level 3 – unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation.

The Town has the following fair value measurements as of June 30, 2022:

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value Measurements Using:</u>		
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments by fair value level:				
Corporate bonds	\$ 3,842,970	\$ -	\$ 3,842,970	\$ -
Corporate equities	1,138,821	1,138,821	-	-
Exchange traded funds	1,243,401	1,243,401	-	-
Federal agency securities	673,517	-	673,517	-
Market-linked certificates of deposit	425,043	-	425,043	-
U.S. Treasury notes	<u>1,853,116</u>	<u>1,853,116</u>	<u>-</u>	<u>-</u>
Total	\$ <u>9,176,868</u>	\$ <u>4,235,338</u>	\$ <u>4,941,530</u>	\$ <u>-</u>
<u>Investment Type</u>	<u>Amount</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
External investment pools	\$ <u>5,897,842</u>	\$ <u>-</u>	<u>Monthly</u>	<u>30 Days</u>

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

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

4. Property Taxes and Excises Receivable

Real and personal property taxes are based on market values assessed as of each January 1. By law, all taxable property must be assessed at 100% of fair cash value. Also by law, property taxes must be levied at least 30 days prior to their due date. Once levied, these taxes are recorded as receivables, net of estimated uncollectible balances. Property tax revenues have been recorded using the accrual and modified accrual basis of accounting in the government-wide and fund basis statements, respectively.

The Town bills and collects its property taxes on a quarterly basis following the January 1 assessment. The due dates for those quarterly tax billings are August 1, November 1, February 1, and May 1. Property taxes that remain unpaid after the respective due dates are subject to penalties and interest charges.

Based on the Town’s experience, most property taxes are collected during the year in which they are assessed. Liening of properties on which taxes remain unpaid generally occurs annually. The Town ultimately has the right to foreclose on all properties where the taxes remain unpaid.

A statewide property tax limitation known as “Proposition 2 ½” limits the amount of increase in the property tax levy in any fiscal year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2 ½% of the total assessed value of all taxable property within the Town. Secondly, the tax levy cannot increase by more than 2 ½ % of the prior year’s levy plus the taxes on property newly added to the tax rolls.

Motor vehicle excise taxes are assessed annually for every motor vehicle and trailer registered in the Commonwealth of Massachusetts. The Registry of Motor Vehicles annually calculates the value of all registered motor vehicles for the purpose of excise assessment. The amount of motor vehicle excise tax due is calculated using a fixed rate of \$25 per \$1,000 of value.

Property taxes and excise receivables at June 30, 2022 consist of the following:

	Gross Amount <u>(fund basis)</u>	Current <u>Portion</u>	Long- Term <u>Portion</u>
Real estate taxes	\$ 406,919	\$ 406,919	\$ -
Personal property taxes	8,070	8,070	-
Tax liens	340,832	-	340,832
Deferred taxes	<u>248,882</u>	<u>248,882</u>	<u>-</u>
Total property taxes	<u>\$ 1,004,703</u>	<u>\$ 663,871</u>	<u>\$ 340,832</u>
Motor vehicle excise	<u>\$ 176,885</u>	<u>\$ 176,885</u>	

5. User Fees Receivable

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

Water	\$	997,152
Sewer		<u>720,652</u>
Total	\$	<u><u>1,717,804</u></u>

6. Leases Receivable

In fiscal year 2022, the Town implemented GASB Statement No. 87, Leases, which changed the definition of a lease and requires a lease receivable, offset with deferred inflows, to be shown on the financial statements. A lease is defined as a contract that conveys control of the right to use another entity’s nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction.

Lease receivables consisted of the following at June 30, 2022:

<u>Purpose</u>	<u>Original Issue</u>	<u>Serial Maturities Through</u>	<u>Interest Rate %</u>	<u>Amount Outstanding As of June 30, 2022</u>
Cell Towers A T & T	10/7/2020	10/7/2030	0.00%	\$ 450,030
Cell Towers Verizon	10/30/2018	10/30/2023	0.00%	200,005
Cell Towers T Mobile	1/28/2021	1/28/2026	0.00%	220,000
Comcast Lease at DPW	6/1/2022	6/1/2027	0.00%	125,000
Kingsbury	9/1/2007	8/1/2057	0.00%	<u>750,000</u>
				<u><u>\$ 1,745,035</u></u>

7. Intergovernmental Receivables

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

8. Transfers

The Town reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The following is an analysis of major interfund transfers.

<u>Governmental Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 387,172	\$ -
Nonmajor Funds:		
Special Revenue Funds:		
School Revolving Fund	-	30,000
Other special revenue funds	-	400,165
Trust Funds:	<u>58,650</u>	<u>15,657</u>
Subtotal nonmajor funds	<u>58,650</u>	<u>445,822</u>
Total	<u>\$ 445,822</u>	<u>\$ 445,822</u>

Of the transfers into the general fund, \$245,000 was transferred from the ALS Revolving Fund. The Town's other routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the general fund to other funds based on budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to expend them.

9. Capital Assets

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

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities				
Capital assets, being depreciated:				
Land improvements	\$ 163	\$ -	\$ -	\$ 163
Buildings and improvements	114,841	227	-	115,068
Machinery and equipment	8,677	211	-	8,888
Vehicles	1,233	1,194	(279)	2,148
Textbooks and software	2,782	-	-	2,782
Infrastructure	<u>55,820</u>	<u>-</u>	<u>-</u>	<u>55,820</u>
Total capital assets, being depreciated	183,516	1,632	(279)	184,869
Less accumulated depreciation for:				
Land improvements	(40)	(8)	-	(48)
Buildings and improvements	(43,548)	(2,852)	-	(46,400)
Machinery and equipment	(6,600)	(388)	-	(6,988)
Vehicles	(976)	(134)	279	(831)
Textbooks and software	(2,715)	(15)	-	(2,730)
Infrastructure	<u>(35,285)</u>	<u>(1,219)</u>	<u>-</u>	<u>(36,504)</u>
Total accumulated depreciation	<u>(89,164)</u>	<u>(4,616)</u>	<u>279</u>	<u>(93,501)</u>
Capital assets, being depreciated, net	94,352	(2,984)	-	91,368
Capital assets, not being depreciated:				
Land	21,260	-	-	21,260
Construction in progress	<u>590</u>	<u>560</u>	<u>(115)</u>	<u>1,035</u>
Total capital assets, not being depreciated	<u>21,850</u>	<u>560</u>	<u>(115)</u>	<u>22,295</u>
Governmental activities capital assets, net	<u>\$ 116,202</u>	<u>\$ (2,424)</u>	<u>\$ (115)</u>	<u>\$ 113,663</u>

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Business-Type Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 9,442	\$ -	\$ -	\$ 9,442
Machinery and equipment	1,871	74	-	1,945
Vehicles and other	481	106	-	587
Infrastructure	<u>15,058</u>	<u>885</u>	<u>-</u>	<u>15,943</u>
Total capital assets, being depreciated	26,852	1,065	-	27,917
Less accumulated depreciation for:				
Buildings and improvements	(6,387)	(182)	-	(6,569)
Machinery and equipment	(1,120)	(99)	-	(1,219)
Vehicles and other	(465)	(26)	-	(491)
Infrastructure	<u>(5,358)</u>	<u>(258)</u>	<u>-</u>	<u>(5,616)</u>
Total accumulated depreciation	<u>(13,330)</u>	<u>(565)</u>	<u>-</u>	<u>(13,895)</u>
Capital assets, being depreciated, net	13,522	500	-	14,022
Capital assets, not being depreciated:				
Land	1,248	-	-	1,248
Construction in progress	<u>995</u>	<u>4,147</u>	<u>(945)</u>	<u>4,197</u>
Total capital assets, not being depreciated	<u>2,243</u>	<u>4,147</u>	<u>(945)</u>	<u>5,445</u>
Business-type activities capital assets, net	<u>\$ 15,765</u>	<u>\$ 4,647</u>	<u>\$ (945)</u>	<u>\$ 19,467</u>

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

Governmental Activities:	
General government	\$ 79
Public safety	755
Education	1,970
Public works	1,638
Health and human services	83
Culture and recreation	<u>91</u>
Total governmental activities	<u>\$ 4,616</u>
Business-Type Activities:	
Water	\$ 349
Sewer	<u>216</u>
Total business-type activities	<u>\$ 565</u>

10. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net assets by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes. Other deferred outflows of resources consist of deferred losses from debt refundings as of June 30, 2022.

11. Accrued Liabilities

Accrued liabilities expenses represent fiscal year 2022 expenditures paid in fiscal year 2023, primarily made up of teachers' summer pay.

12. Unearned Revenues

Unearned revenues represent the receipt of ARPA funds that will be recognized as revenue in future years.

13. Notes Payable

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

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Bonded</u>	<u>Balance End of Year</u>
Water Tower Improvement	\$ <u>205,000</u>	\$ <u>-</u>	\$ <u>(205,000)</u>	\$ <u>-</u>

14. Long-Term Debt

General Obligation Bonds and Loans

The Town issues general obligation bonds and direct borrowings to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds and direct borrowings currently outstanding are as follows:

<u>Governmental Activities</u>	Original	Serial	Interest	Amount
<u>General Obligation Bonds</u>	<u>Issue</u>	<u>Maturities</u>	<u>Rate(s) %</u>	Outstanding
		<u>Through</u>		as of
				<u>6/30/22</u>
Public offerings:				
Municipal Purpose Bonds of 2007 - Refunding	\$ 759,800	6/1/25	2.00-5.00%	\$ 551,000
Municipal Purpose Bonds of 2010 - Refunding	465,400	6/1/25	2.00-5.00%	344,000
Municipal Purpose Bonds of 2021	871,000	6/1/31	2.00-5.00%	755,000
Municipal Purpose Bonds Refunding of 2012	8,704,840	3/15/22	3.00-4.00%	1,045,000
Garage Bonds Unlimited Tax	9,500,000	9/15/33	2.00-4.00%	6,310,000
Municipal Purpose Bonds of 2014	1,360,000	10/15/34	2.00-4.00%	870,000
Municipal Purpose Bonds of 2016	16,375,000	5/15/35	2.00-5.00%	10,635,000
General Obligation Athletic Facility Reconstruction	1,500,000	8/1/31	2.00-4.00%	1,000,000
Commonwealth of Massachusetts - State Hospital	3,100,000	1/1/25	0.00%	775,000
Total public offerings				<u>22,285,000</u>
Total general obligation bonds				<u>\$ 22,285,000</u>
<u>Loans - Direct Borrowings</u>				
Fire Engine	\$ 450,000	8/31/20	1.48%	\$ 359,879
Police Cruisers	165,000	8/31/20	1.48%	<u>51,997</u>
Total loans - direct borrowings				<u>411,876</u>
Total governmental activities				<u>\$ 22,696,876</u>

Business-Type Activities

	Original <u>Issue</u>	Serial Maturities <u>Through</u>	Interest <u>Rate(s) %</u>	Amount Outstanding as of <u>6/30/22</u>
<u>General Obligation Bonds</u>				
Public offerings:				
Water Bond of 2013	1,400,000	9/12/23	2.00-3.00%	545,000
Water Main Replacement of 2015	5,840,000	10/15/34	2.00-4.00%	3,775,000
Municipal Purpose Bonds of 2021	10,588,800	6/30/41	2.00-5.00%	10,040,000
Sewer Bond of 2013	400,000	3/15/28	3.00-4.00%	120,000
Solar Voltaic Array of 2015	610,000	5/15/25	2.00-5.00%	<u>180,000</u>
Total public offerings				<u>14,660,000</u>
Total general obligation bonds				14,660,000
<u>Loans - Direct Borrowings</u>				
MWPAT Sewer of 2008	\$ 1,009,030	7/15/28	2.00%	398,462
MWPAT Sewer of 2012	400,000	7/15/32	2.00%	<u>241,054</u>
Total loans - direct borrowings				<u>639,516</u>
Total business-type activities				<u>\$ 15,299,516</u>

Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2022 are as follows:

<u>Governmental</u>	<u>Bonds - Public Offerings</u>		<u>Loans - Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 3,185,000	\$ 821,644	\$ 94,658	\$ 11,546
2024	2,150,000	735,982	43,305	9,499
2025	2,010,000	638,517	43,959	8,202
2026	1,570,000	559,156	44,623	6,885
2027	1,585,000	494,956	45,297	5,548
2028 - 2032	7,900,000	1,521,188	140,034	8,426
2033 - 2035	<u>3,885,000</u>	<u>217,603</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 22,285,000</u>	<u>\$ 4,989,046</u>	<u>\$ 411,876</u>	<u>\$ 50,106</u>

<u>Business-Type</u>	<u>Bonds - Public Offerings</u>		<u>Loans - Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 1,010,000	\$ 477,463	\$ 73,200	\$ 12,963
2024	1,000,000	431,720	74,709	11,372
2025	1,000,000	387,714	76,249	9,751
2026	940,000	346,038	77,821	8,093
2027	940,000	309,762	79,425	6,403
2028 - 2032	4,240,000	1,016,207	233,767	11,445
2033 - 2037	3,470,000	403,506	24,345	262
2038 - 2041	<u>2,060,000</u>	<u>97,850</u>	<u>-</u>	<u>-</u>

Changes in Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion</u>
Governmental Activities						
Bonds payable:						
Public offerings	\$ 25,120	\$ 881	\$ (3,716)	\$ 22,285	\$ (3,185)	\$ 19,100
Loans payable (direct borrowings)	505	-	(93)	412	(94)	318
Unamortized premium	<u>65</u>	<u>256</u>	<u>(63)</u>	<u>258</u>	<u>(64)</u>	<u>194</u>
Subtotal	25,690	1,137	(3,872)	22,955	(3,343)	19,612
Net pension liability	18,291	-	(5,401)	12,890	-	12,890
Net OPEB liability	25,987	2,062	-	28,049	-	28,049
Compensated absences	<u>1,310</u>	<u>-</u>	<u>(69)</u>	<u>1,241</u>	<u>(62)</u>	<u>1,179</u>
Total	<u>\$ 71,278</u>	<u>\$ 3,199</u>	<u>\$ (9,342)</u>	<u>\$ 65,135</u>	<u>\$ (3,405)</u>	<u>\$ 61,730</u>
Business-Type Activities						
Bonds payable:						
Public offerings	\$ 5,320	\$ 10,589	\$ (1,249)	\$ 14,660	\$ (1,010)	\$ 13,650
Loans payable (direct borrowings)	711	-	(71)	640	(73)	567
Unamortized premium	<u>-</u>	<u>1,116</u>	<u>(56)</u>	<u>1,060</u>	<u>(56)</u>	<u>1,004</u>
Subtotal	6,031	11,705	(1,376)	16,360	(1,139)	15,221
Net pension liability	659	-	(195)	464	-	464
Net OPEB liability	519	-	(41)	478	-	478
Compensated absences	<u>37</u>	<u>2</u>	<u>-</u>	<u>39</u>	<u>(2)</u>	<u>37</u>
Total	<u>\$ 7,246</u>	<u>\$ 11,707</u>	<u>\$ (1,612)</u>	<u>\$ 17,341</u>	<u>\$ (1,141)</u>	<u>\$ 16,200</u>

Long-Term Debt Supporting Governmental and Business-Type Activities

Bonds and loans issued by the Town for various municipal projects are approved by Town Meeting and repaid with revenues recorded in the general fund and user fees recorded in enterprise funds. All other long-term debt is repaid from the funds that the cost relates to, primarily the general fund and enterprise funds.

Current Refunding

On, September 29, 2021, the Town issued general obligation bonds in the amount of \$1,225,200 with a variable coupon rate of 2.00-5.00% to refund \$1,315,000 of term bonds with an interest rate of 2.00-5.00%. As a result of the refunding, the Town reduced its total debt service cash flow requirements by \$90,902 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$84,683.

15. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of net assets by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB, in accordance with GASB Statements No. 69 and 75, will be recognized as expense in future years and more fully described in the corresponding pension and OPEB notes. Deferred inflows related to leases, in accordance with GASB Statement No. 87 have been recognized in fiscal year 2022 and are offset with lease receivables. *Unavailable revenues* are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

16. Governmental Funds – Balances

The following is a breakdown of the Town's fund balances at June 30, 2022:

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Restricted			
Capital project funds			
Public safety building	\$ -	\$ 596,255	\$ 596,255
Town garage instruction	-	262,686	262,686
Special revenue funds			
Sale of cemetery lots	-	748,978	748,978
School lunch	-	784,276	784,276
PEG access - Cable TV	-	373,796	373,796
Kindergarten tuition	-	423,209	423,209
Circuit breaker	-	354,029	354,029
School rentals	-	219,208	219,208
School athletics	-	141,643	141,643
Advanced life support fees	-	337,226	337,226
High school parking revolving	-	167,392	167,392
School gift account	-	139,202	139,202
Before and after school care	-	107,463	107,463
Council on aging gift	-	121,544	121,544
State aid to library	-	99,594	99,594
Other special revenue funds	-	1,382,902	1,382,902
Pension reserve	3,512,538	-	3,512,538
Debt service	638,045	-	638,045
Expendable permanent funds	-	2,492,440	2,492,440
Total Restricted	4,150,583	8,751,843	12,902,426
Committed			
Continuing appropriations:			
General government	300,442	-	300,442
Public safety	49,029	-	49,029
Education	1,185,642	-	1,185,642
Public works	99,512	-	99,512
Health and human services	14,853	-	14,853
Culture and recreation	245,328	-	245,328
OPEB Contribution	500,000	-	500,000
Open Space and Recreation Plan	25,000	-	25,000
Municipal building stabilization fund*	823,217	-	823,217
Capital stabilization fund*	2,021,521	-	2,021,521
Total Committed	5,264,544	-	5,264,544
Assigned			
Encumbrances:			
General government	78,233	-	78,233
Public safety	24,355	-	24,355
Education	190,095	-	190,095
Public works	101,826	-	101,826
Health and human services	5,823	-	5,823
Employee benefits	351,435	-	351,435
Total Assigned	751,767	-	751,767
Unassigned			
General fund	5,644,457	-	5,644,457
General stabilization fund	2,390,290	-	2,390,290
Deficits	-	(89,715)	(89,715)
Total Unassigned	8,034,747	(89,715)	7,945,032
Total Fund Balance	\$ 18,201,641	\$ 8,662,128	\$ 26,863,769

* Massachusetts General Law Ch. 40 §5B allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund, along with any additions to or appropriations from the fund, requires a two-thirds vote of the legislative body.

17. Norfolk County Retirement System

The Town follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the employees’ retirement funds.

Plan Description

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Norfolk County Retirement Contributory Retirement System (the System), a cost-sharing, multiple-employer public employee retirement system (PERS). With the exception of teachers and certain administrators, all employees of the School District are members. Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System’s annual financial reports publicly available from the System located 480 Neponset Street, #15, Canton, MA 02021 or from the System’s website at <https://www.norfolkcountyretirement.org>.

Participant Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee’s individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired on or after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

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

Participant Retirement Benefits

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

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest 5-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100%, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

There are four classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other three classes are as follows:

- Group 1 – General employees, including clerical, administrative, technical, and all other employees not otherwise classified.
- Group 2 – Certain specified hazardous duty positions.
- Group 4 – Police officers, firefighters, and other specified hazardous positions.

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

Methods of Payment

A member may elect to receive his or her retirement allowance in one of three forms of payment as follows:

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree’s beneficiary or beneficiaries of choice.
- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member’s designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or “pops up” to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable “pops up” to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The Town’s contribution to the System for the year ended June 30, 2022 was \$3,104,509, which was equal to its annual required contribution.

Summary of Significant Accounting Policies

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

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

At June 30, 2022, the Town reported a liability of \$13,354,528 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the Town’s proportion was 3.62%, which was a decrease of .09% from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the Town recognized pension expense of \$1,075,329. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 1,350,797	\$ -
Net difference between projected and actual earnings on pension plan investments	-	4,941,204
Changes in proportion and differences between contributions and proportionate share of contributions	<u>158,340</u>	<u>338,160</u>
Total	<u>\$ 1,509,137</u>	<u>\$ 5,279,364</u>

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

<u>Year ended June 30:</u>	
2023	\$ (245,983)
2024	(1,562,120)
2025	(1,041,699)
2026	<u>(920,425)</u>
Total	<u>\$ (3,770,227)</u>

Actuarial Assumptions

The total pension liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	1/1/2022
Actuarial cost method	Entry Age
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	3.50-5.50%
Inflation rate	3.00%
Post-retirement cost-of-living adjustment	3.00%

It is assumed that both pre-retirement mortality and beneficiary mortality is represented by the RP-2014 Blue Collar Mortality with Scale MP-2014, fully generational. Mortality for retired members for Group 1 and 2 is represented by the RP-2014 Blue Collar Mortality Table set forward five years for males and 3 years for females, fully generational. Mortality for retired members for Group 4 is represented by the RP-2014 Blue Collar Mortality Table set forward three years for males, and six years for females, fully generational. Mortality for disabled members for Group 1 and 2 is represented by the RP-2000 Mortality Table set forward six years. Mortality for disabled members for Group 4 is represented by the RP-2000 Mortality Table set forward two years. Generational adjusting is based on Scale MP-2014.

The actuarial assumptions used in the January 1, 2022 valuation were based on the results of the most recent actuarial experience study.

Target Allocations

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

net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	30.50%	7.00%
International equity	15.50%	7.70%
Fixed income	20.50%	4.30%
Real estate	9.50%	6.90%
Private equity	10.00%	9.40%
Hedge funds	11.50%	8.60%
Real assets	<u>2.50%</u>	8.90%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

1% Decrease <u>(6.75%)</u>	Current Discount Rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
\$ 20,133,532	\$ 13,354,528	\$ 7,593,435

Pension Plan Fiduciary Net Position

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

18. Massachusetts Teachers' Retirement System (MTRS)

Plan Description

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

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

Benefits Provided

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

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

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

Contributions

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

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

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

Actuarial Assumptions

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

- (a) 7.00% (changed from 7.15%) investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality from 2012 – 2020.
- Mortality rates were as follows:
 - Pre-retirement – reflects Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
 - Post-retirement – reflects Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
 - Disability – assumed to be in accordance with the Pub-2010 Teachers Retirees Mortality Table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).

Target Allocations

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a

building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	39.00%	4.80%
Core fixed income	15.00%	3.00%
Private equity	13.00%	7.80%
Portfolio completion strategies	11.00%	2.90%
Real estate	10.00%	3.70%
Value added fixed income	8.00%	3.90%
Timber/natural resources	<u>4.00%</u>	4.30%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth of Massachusetts' contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

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

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

Special Funding Situation

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarial determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions (GASB 68)* and the Commonwealth of Massachusetts is a nonemployer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

Town Proportions

In fiscal year 2021 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability was approximately \$77,031,875 based on a proportionate share of 0.339245%. As required by GASB 68, the Town has recognized its portion of the Commonwealth of Massachusetts' contribution of approximately \$5,931,636 as both a revenue and expenditure on the Statement of Revenues, Expenditures, and Changes in Fund Balance, and its portion of the collective pension expense of approximately \$6,181,217 as both a revenue and expense on the Statement of Activities.

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

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of *Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2016, the Town established a single employer defined benefit OPEB Trust Fund to provide funding for future employee health care costs. The OPEB Trust Fund does not issue a stand-alone financial report.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of *Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All the following OPEB disclosures are based on a measurement date of June 30, 2022.

General Information about the OPEB Plan

Plan Description

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

Benefits Provided

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

Funding Policy

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

Plan Membership

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

Inactive employees or beneficiaries	
currently receiving benefit payments	261
Active employees	<u>505</u>
Total	<u><u>766</u></u>

Investments

The OPEB trust fund assets consist of equities, fixed income, real estate, and alternatives. (specify)

Rate of return. For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was (4.12)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of January 1, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50-5.50%
Investment rate of return	7.00%, net of OPEB plan investment expense
Municipal bond rate	2.16%
Discount rate	7.00%
Healthcare cost trend rates	8.50% for 2021, fluctuating to an ultimate rate of 5.00% as of 2040.
Participation rate	65% of all retirees

Mortality rates were based on the Pub-2010 headcount-weighted tables, projected using MP-2020.

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study.

Target Allocations

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2021 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	39.00%	4.60%
Core fixed income	15.00%	0.30%
Private equity	14.00%	8.00%
Real estate	10.00%	3.90%
Portfolio completion	10.00%	3.10%
Value added fixed income	8.00%	4.10%
Timberland	4.00%	4.50%
Total	<u>100.00%</u>	

Contributions

In addition to the implicit subsidy contribution, the Town’s policy is to contribute the ADC or amounts provided annually by the budget.

Discount Rate

The discount rate used to measure the net OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on those assumptions, the OPEB plan fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2022, were as follows:

Total OPEB liability	\$ 34,506,785
Plan fiduciary net position	<u>5,897,842</u>
Net OPEB liability	<u>\$ 28,608,943</u>
Plan fiduciary net position as a percentage of the total OPEB liability	17.09%

The fiduciary net position has been determined on the same basis used by the OPEB Plan. For this purpose, the Plan recognizes benefit payments when due and payable.

Changes in the Net OPEB Liability

The following summarizes the changes in the net OPEB liability for the past year:

	<u>Increase (Decrease)</u>		
	Total OPEB Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net OPEB Liability <u>(a) - (b)</u>
Balances, beginning of year	\$ 32,179,607	\$ 5,674,059	\$ 26,505,548
Changes for the year:			
Service cost	932,630	-	932,630
Interest	2,304,616	-	2,304,616
Contributions - employer	-	1,730,724	(1,730,724)
Net investment income (loss)	-	(201,217)	201,217
Changes in assumptions	395,656	-	395,656
Benefit payments	<u>(1,305,724)</u>	<u>(1,305,724)</u>	<u>-</u>
Net Changes	<u>2,327,178</u>	<u>223,783</u>	<u>2,103,395</u>
Balances, end of year	<u>\$ 34,506,785</u>	<u>\$ 5,897,842</u>	<u>\$ 28,608,943</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 7.10% in fiscal year 2021 to 7.00% in fiscal year 2022.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

1% Decrease	Current Discount Rate	1% Increase
<u>(6.00)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
\$ 33,359,327	\$ 28,608,943	\$ 25,216,914

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it as calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
<u>(7.50%)</u>	<u>(8.50%)</u>	<u>(9.50%)</u>
\$ 24,346,559	\$ 28,608,943	\$ 34,573,935

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

For the year ended June 30, 2022, the Town recognized an OPEB expense of \$105,981. At June 30, 2022, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ -	\$ 7,812,371
Changes in assumptions	727,413	3,621,804
Net difference between projected and actual earnings on OPEB investment	<u>-</u>	<u>34,154</u>
Total	<u>\$ 727,413</u>	<u>\$ 11,468,329</u>

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

<u>Year Ended June 30:</u>	
2023	\$ (2,687,437)
2024	(2,684,941)
2025	(2,311,692)
2026	(1,092,070)
2027	(743,579)
Thereafter	<u>(1,221,197)</u>
Total	<u>\$ (10,740,916)</u>

20. Commitments and Contingencies

COVID-19

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on individuals served by the Town, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations remains uncertain.

Outstanding Legal Issues

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

Grants

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

Encumbrances

At year-end, the Town's general fund has \$751,767 in encumbrances that will be honored in the next fiscal year.

21. Change in Accounting Principle

During fiscal year 2022, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 87., *Leases*. No restatement of beginning net position/fund balance was required.

22. Subsequent Events

Management has evaluated subsequent events through March 20, 2023, which is the date the financial statements were available to be issued.

TOWN OF MEDFIELD, MASSACHUSETTS

Required Supplementary Information
General Fund

Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) – Budget and Actual
For the Year Ended June 30, 2022

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues				
Property taxes	\$ 51,854,274	\$ 51,854,274	\$ 51,925,064	\$ 70,790
Excise	2,000,000	2,000,000	2,280,299	280,299
Penalties, interest, and other taxes	200,000	200,000	344,020	144,020
Charges for services	651,647	651,647	781,296	129,649
Intergovernmental	8,095,075	8,095,075	8,408,318	313,243
Licenses and permits	777,700	777,700	757,758	(19,942)
Fines and forfeitures	3,750	3,750	6,344	2,594
Investment income	28,000	28,000	65,649	37,649
Miscellaneous	184,719	184,719	260,037	75,318
Total Revenues	63,795,165	63,795,165	64,828,785	1,033,620
Expenditures				
General government	3,963,503	3,963,503	4,344,023	(380,520)
Public safety	5,503,431	5,503,431	5,252,591	250,840
Education	41,200,821	41,200,821	40,683,778	517,043
Public works	3,249,699	3,249,699	3,191,160	58,539
Health and human services	657,387	657,387	584,765	72,622
Culture and recreation	1,396,814	1,396,814	1,090,887	305,927
Employee benefits	9,564,522	9,564,522	8,707,257	857,265
Debt service	6,238,001	6,238,001	6,297,087	(59,086)
Intergovernmental	908,687	908,687	601,886	306,801
Total Expenditures	72,682,865	72,682,865	70,753,434	1,929,431
Excess (Deficiency) of Revenues over Expenditures	(8,887,700)	(8,887,700)	(5,924,649)	2,963,051
Other Financing Sources (Uses)				
Transfers in	5,117,346	5,117,346	4,644,710	(472,636)
Transfers out	(2,080,089)	(2,080,089)	(2,101,545)	(21,456)
Use of free cash:				
Operating budget	214,393	214,393	214,393	-
Transfer to stabilization fund(s)	1,451,000	1,451,000	1,451,000	-
OPEB trust fund contribution	42,500	42,500	42,500	-
Use of restricted fund balance	1,340,428	1,340,428	1,340,428	-
Use of prior year fund balance (carryforwards)	2,851,567	2,851,567	2,851,567	-
Other (Uses)	(49,445)	(49,445)	(49,445)	-
Total Other Financing Sources	8,887,700	8,887,700	8,393,608	(494,092)
Overall Budgetary Excess	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,468,959</u>	\$ <u>2,468,959</u>

See Independent Auditor's Report and notes to the Required Supplementary Information.

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

Budgetary Basis

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

Budget/GAAP Reconciliation

The budgetary data for the General Fund is based upon accounting principles that differ from Generally Accepted Accounting Principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the General Fund are presented in accordance with budgetary statements, the results of operations of the General Fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

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

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>	<u>Total</u>
GAAP Basis	\$ 70,636,412	\$ 71,272,344	\$ 387,172	\$ (248,760)
Remove effects of combining stabilization and general fund	124,009	-	(21,427)	102,582
Reverse beginning of year appropriation carryforwards from expenditures	-	-	2,851,567	2,851,567
Add end-of-year appropriation carryforwards from expenditures	-	2,466,573	-	(2,466,573)
To record use of free cash	-	-	1,707,893	1,707,893
To reverse the effect of non-budgeted State contributions	(5,931,636)	(5,931,636)	-	-
To reclassify indirect costs	-	635,307	635,307	-
To reclassify debt service expenditures	-	1,667,840	1,667,840	-
Recognize use of fund balance as funding source (use)	-	-	1,340,428	1,340,428
Other	-	643,006	(175,172)	(818,178)
Budgetary Basis	<u>\$ 64,828,785</u>	<u>\$ 70,753,434</u>	<u>\$ 8,393,608</u>	<u>\$ 2,468,959</u>

See Independent Auditor's Report and notes to the Required Supplementary Information.

TOWN OF MEDFIELD, MASSACHUSETTS

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

(Unaudited)

Norfolk County Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2022	December 31, 2021	3.62%	\$13,354,528	\$ 11,923,674	112.00%	79.40%
June 30, 2021	December 31, 2020	3.71%	\$18,950,015	\$ 12,167,429	155.74%	70.20%
June 30, 2020	December 31, 2019	3.70%	\$21,746,679	\$ 11,755,970	184.98%	64.60%
June 30, 2019	December 31, 2018	3.62%	\$23,536,703	\$ 11,517,097	204.36%	58.30%
June 30, 2018	December 31, 2017	3.50%	\$19,954,056	\$ 11,127,630	179.32%	63.50%
June 30, 2017	December 31, 2016	3.68%	\$19,233,924	\$ 10,548,923	182.33%	61.60%
June 30, 2016	December 31, 2015	3.68%	\$20,014,556	\$ 10,076,580	198.62%	58.60%
June 30, 2015	December 31, 2014	3.57%	\$18,532,460	\$ 9,226,088	200.87%	60.10%

Massachusetts Teachers' Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town	Total Net Pension Liability Associated with the Town	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2022	June 30, 2021	0.339245%	\$ -	\$ 77,031,875	\$ 77,031,875	\$ 26,311,801	0.00%	62.03%
June 30, 2021	June 30, 2020	0.330708%	\$ -	\$ 94,400,113	\$ 94,400,113	\$ 25,056,975	0.00%	50.67%
June 30, 2020	June 30, 2019	0.331000%	\$ -	\$ 83,458,318	\$ 83,458,318	\$ 24,087,360	0.00%	53.95%
June 30, 2019	June 30, 2018	0.328137%	\$ -	\$ 77,805,403	\$ 77,805,403	\$ 23,044,622	0.00%	54.84%
June 30, 2018	June 30, 2017	0.319794%	\$ -	\$ 73,186,215	\$ 73,186,215	\$ 21,715,509	0.00%	54.25%
June 30, 2017	June 30, 2016	0.308219%	\$ -	\$ 68,911,336	\$ 68,911,336	\$ 20,273,582	0.00%	52.73%
June 30, 2016	June 30, 2015	0.313553%	\$ -	\$ 64,245,956	\$ 64,245,956	\$ 19,875,773	0.00%	55.38%
June 30, 2015	June 30, 2014	0.314287%	\$ -	\$ 49,960,101	\$ 49,960,101	\$ 19,270,489	0.00%	61.64%

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

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

See Independent Auditor's Report.

TOWN OF MEDFIELD, MASSACHUSETTS

Required Supplementary Information
Schedule of Pension Contributions

(Unaudited)

Norfolk County Retirement System

Fiscal Year	Measurement Date	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2022	December 31, 2021	\$ 3,104,509	\$ 3,104,509	\$ -	\$ 13,511,111	22.98%
June 30, 2021	December 31, 2020	\$ 2,971,533	\$ 2,971,533	\$ -	\$ 13,030,785	22.80%
June 30, 2020	December 31, 2019	\$ 2,774,283	\$ 2,774,283	\$ -	\$ 11,991,089	23.14%
June 30, 2019	December 31, 2018	\$ 2,529,530	\$ 2,529,530	\$ -	\$ 11,747,439	21.53%
June 30, 2018	December 31, 2017	\$ 2,309,695	\$ 2,309,695	\$ -	\$ 11,350,183	20.35%
June 30, 2017	December 31, 2016	\$ 2,084,180	\$ 2,084,180	\$ -	\$ 10,759,901	19.37%
June 30, 2016	December 31, 2015	\$ 2,354,129	\$ 2,354,129	\$ -	\$ 10,278,112	22.90%
June 30, 2015	December 31, 2014	\$ 1,686,967	\$ 1,686,967	\$ -	\$ 9,410,610	17.93%

Massachusetts Teachers' Retirement System

Fiscal Year	Measurement Date	Actuarially Determined Contribution Provided by Commonwealth	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2022	June 30, 2021	\$ 5,931,636	\$ 5,931,636	\$ -	\$ 26,311,801	22.54%
June 30, 2021	June 30, 2020	\$ 5,137,329	\$ 5,137,329	\$ -	\$ 25,056,975	20.50%
June 30, 2020	June 30, 2019	\$ 4,778,675	\$ 4,778,675	\$ -	\$ 24,087,360	19.84%
June 30, 2019	June 30, 2018	\$ 4,314,283	\$ 4,314,283	\$ -	\$ 23,044,622	18.72%
June 30, 2018	June 30, 2017	\$ 3,951,109	\$ 3,951,109	\$ -	\$ 21,715,509	18.19%
June 30, 2017	June 30, 2016	\$ 3,466,176	\$ 3,466,176	\$ -	\$ 20,273,582	17.10%
June 30, 2016	June 30, 2015	\$ 3,204,295	\$ 3,204,295	\$ -	\$ 19,875,773	16.12%
June 30, 2015	June 30, 2014	\$ 2,946,057	\$ 2,946,057	\$ -	\$ 19,270,489	15.29%

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

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

See Independent Auditor's Report.

TOWN OF MEDFIELD, MASSACHUSETTS

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

(Unaudited)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability						
Service cost	\$ 932,630	\$ 1,057,821	\$ 1,467,327	\$ 1,573,811	\$ 1,591,851	\$ 1,532,499
Interest	2,304,617	2,685,903	2,358,216	2,456,470	2,143,436	2,034,393
Differences between expected and actual experience	-	(7,383,628)	-	(5,360,645)	-	-
Changes of assumptions	395,656	505,522	(4,702,087)	(2,381,294)	(248,102)	-
Benefit payments, including refunds of member contributions	<u>(1,305,724)</u>	<u>(1,350,223)</u>	<u>(1,385,050)</u>	<u>(1,393,557)</u>	<u>(1,466,077)</u>	<u>(1,407,524)</u>
Net change in total OPEB liability	2,327,179	(4,484,605)	(2,261,594)	(5,105,215)	2,021,108	2,159,368
Total OPEB liability - beginning	<u>32,179,606</u>	<u>36,664,211</u>	<u>38,925,805</u>	<u>44,031,020</u>	<u>42,009,912</u>	<u>39,850,544</u>
Total OPEB liability - ending (a)	34,506,785	32,179,606	36,664,211	38,925,805	44,031,020	42,009,912
Plan Fiduciary Net Position						
Contributions - employer	1,730,724	1,775,223	1,810,050	1,793,557	1,866,077	3,392,302
Net investment income (loss)	(201,217)	1,276,592	76,500	181,475	251,319	253,395
Benefit payments, including refunds of member contributions	<u>(1,305,724)</u>	<u>(1,350,223)</u>	<u>(1,385,050)</u>	<u>(1,393,557)</u>	<u>(1,466,077)</u>	<u>(1,407,524)</u>
Net change in plan fiduciary net position	223,783	1,701,592	501,500	581,475	651,319	2,238,173
Plan fiduciary net position - beginning	<u>5,674,059</u>	<u>3,972,467</u>	<u>3,470,967</u>	<u>2,889,492</u>	<u>2,238,173</u>	<u>-</u>
Plan fiduciary net position - ending (b)	<u>5,897,842</u>	<u>5,674,059</u>	<u>3,972,467</u>	<u>3,470,967</u>	<u>2,889,492</u>	<u>2,238,173</u>
Net OPEB liability (asset) - ending (a-b)	\$ <u>28,608,943</u>	\$ <u>26,505,547</u>	\$ <u>32,691,744</u>	\$ <u>35,454,838</u>	\$ <u>41,141,528</u>	\$ <u>39,771,739</u>

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

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

See Independent Auditor's Report.

TOWN OF MEDFIELD, MASSACHUSETTS

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

(Unaudited)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Net OPEB Liability						
Total OPEB liability	\$ 34,506,785	\$ 32,179,606	\$ 36,664,211	\$ 38,925,805	\$ 44,031,020	\$ 42,009,912
Plan fiduciary net position	<u>5,897,842</u>	<u>5,674,059</u>	<u>3,972,467</u>	<u>3,470,967</u>	<u>2,889,492</u>	<u>2,238,173</u>
Net OPEB liability (asset)	\$ <u>28,608,943</u>	\$ <u>26,505,547</u>	\$ <u>32,691,744</u>	\$ <u>35,454,838</u>	\$ <u>41,141,528</u>	\$ <u>39,771,739</u>
Plan fiduciary net position as a percentage of the total OPEB liability	17.09%	17.63%	10.83%	8.92%	6.56%	5.33%
Covered employee payroll	\$ 40,618,221	\$ 39,397,841	\$ 38,832,423	\$ 37,701,382	\$ 32,351,340	\$ 31,717,000
Net OPEB liability as a percentage of covered employee payroll	70.43%	67.28%	84.19%	94.04%	127.17%	125.40%
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Contributions						
Actuarially determined contribution	\$ 1,305,724	\$ 1,350,223	\$ 1,385,050	\$ 1,393,557	\$ 1,466,077	\$ 4,108,000
Contributions in relation to the actuarially determined contribution	<u>1,730,724</u>	<u>1,775,223</u>	<u>1,810,050</u>	<u>1,793,557</u>	<u>1,866,077</u>	<u>3,391,778</u>
Contribution deficiency (excess)	\$ <u>(425,000)</u>	\$ <u>(425,000)</u>	\$ <u>(425,000)</u>	\$ <u>(400,000)</u>	\$ <u>(400,000)</u>	\$ <u>716,222</u>
Covered employee payroll	\$ 40,618,221	\$ 39,397,841	\$ 38,832,423	\$ 37,701,382	\$ 32,351,340	\$ 31,717,000
Contributions as a percentage of covered employee payroll	4.26%	4.51%	4.66%	4.76%	5.77%	10.69%
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Investment Returns						
Annual money weighted rate of return, net of investment expense	-4.12%	29.29%	1.99%	5.57%	11.15%	12.77%

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

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

See Independent Auditor's Report.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR’S REPORT

To the Board of Selectmen
Town of Medfield, Massachusetts

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Medfield, Massachusetts (the Town), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements, and have issued our report thereon dated March 20, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town’s internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Town’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Melanson". The signature is enclosed in a thin yellow rectangular border.

Andover, Massachusetts
March 20, 2023