

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF MEDWAY, MASSACHUSETTS

Basic Financial Statements
and
Additional Information

Year Ended June 30, 2022



TOWN OF MEDWAY, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

Honorable Select Board
Town of Medway, Massachusetts

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Medway, Massachusetts (the "Town") as of and for the year ended June 30, 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 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Restatements

The Town's basic financial statements for the year ended June 30, 2021 were audited by other auditors, who issued an unmodified opinion dated January 18, 2022. As described in Note V to the financial statements, the Town restated the previously reported net positions in the governmental activities and business-type activities as well as the fund balances in the nonmajor governmental funds. We audited the adjustments described in Note V that were applied to restate the June 30, 2021 basic financial statements. In our opinion, such adjustments were appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the June 30, 2021 basic financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the June 30, 2021 basic financial statements taken as a whole.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 27, 2022 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Roselli, Clark and Associates
Certified Public Accountants
Woburn, Massachusetts
October 27, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the Town of Medway, Massachusetts (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information.

Financial Highlights

- The Town's assets and deferred outflows of financial resources exceeded its liabilities and deferred inflows of financial resources at the close of the most recent fiscal year by nearly \$120.5 million (total net position) at June 30, 2022. The Town's total net position increased by approximately \$10.4 million in fiscal year 2022.
- The Town continues to report a deficit in its unrestricted net position in its governmental activities. This deficit approached \$27.5 million at June 30, 2022. This deficit is due primarily to the recording of liabilities associated with the net OPEB and pension liabilities, which totaled over \$45.8 million at June 30, 2022 in the aggregate. These liabilities are applied to the Town's unrestricted net position and represent actuarial estimates of future postemployment benefits payable by the Town for retiree medical insurance and pensions.
- As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$36.3 million, which was approximately \$5.0 million higher than the prior year.
- Of the ending fund balance in the governmental funds at June 30, 2022, approximately \$9.3 million is available for spending at the government's discretion as unassigned fund balance. The remainder is earmarked for specific expenditures.
- At June 30, 2022, unassigned fund balance for the general fund represented approximately 15% percent of total fiscal year 2022 general fund expenditures.
- The Town's total combined long-term debt in its governmental activities and business-type activities decreased approximately \$4.9 million in fiscal year 2022. The Town did not issue any general obligation bonds or other long-term notes in fiscal year 2022. Subsequent to the end of the fiscal year, the Town completed the sale of approximately \$18 million of general obligation bonds.

Overview of the Financial Statements

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

Government-Wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business.

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

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

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

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the Town can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions.

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

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

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

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

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

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

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

Government-Wide Financial Analysis

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>June 30,</u>	<u>June 30,</u>	<u>June 30,</u>	<u>June 30,</u>	<u>June 30,</u>	<u>June 30,</u>
	<u>2022</u>	<u>2021 (a)</u>	<u>2022</u>	<u>2021 (a)</u>	<u>2022</u>	<u>2021 (a)</u>
Assets:						
Current and other assets	\$ 45,558,394	\$ 38,756,919	\$ 8,825,928	\$ 36,958,829	\$ 54,384,322	\$ 75,715,748
Capital assets, net	<u>130,979,219</u>	<u>133,099,022</u>	<u>37,852,618</u>	<u>10,050,342</u>	<u>168,831,837</u>	<u>143,149,364</u>
Total Assets	<u>176,537,613</u>	<u>171,855,941</u>	<u>46,678,546</u>	<u>47,009,171</u>	<u>223,216,159</u>	<u>218,865,112</u>
Deferred Outflows of Resources	<u>10,987,939</u>	<u>1,020,574</u>	<u>345,725</u>	<u>11,142</u>	<u>11,333,664</u>	<u>1,031,716</u>
Liabilities:						
Long-term liabilities	75,164,920	71,767,116	15,561,550	16,560,098	90,726,470	88,327,214
Other liabilities	<u>11,105,992</u>	<u>8,807,242</u>	<u>1,667,495</u>	<u>1,879,095</u>	<u>12,773,487</u>	<u>10,686,337</u>
Total Liabilities	<u>86,270,912</u>	<u>80,574,358</u>	<u>17,229,045</u>	<u>18,439,193</u>	<u>103,499,957</u>	<u>99,013,551</u>
Deferred Inflows of Resources	<u>10,145,727</u>	<u>10,707,196</u>	<u>420,942</u>	<u>116,220</u>	<u>10,566,669</u>	<u>10,823,416</u>
Net Position:						
Net investment in capital assets	98,411,604	98,654,390	23,013,542	24,671,789	121,425,146	123,326,179
Restricted	20,147,734	11,214,367	-	-	20,147,734	11,214,367
Unrestricted	<u>(27,450,425)</u>	<u>(28,273,796)</u>	<u>6,360,742</u>	<u>3,793,111</u>	<u>(21,089,683)</u>	<u>(24,480,685)</u>
Total Net Position	<u>\$ 91,108,913</u>	<u>\$ 81,594,961</u>	<u>\$ 29,374,284</u>	<u>\$ 28,464,900</u>	<u>\$ 120,483,197</u>	<u>\$ 110,059,861</u>

(a) As restated; refer to Note V to the financial statements.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's total net position increased over \$10.4 million in fiscal year 2022. The net position in governmental activities increased over \$9.5 million, while the net position in business-type activities increased over \$0.9 million.

The largest portion the Town's overall net position (approximately \$121.4 million) of reflects its investment in capital assets, less any related debt (netted down by those amounts expected to be reimbursed by the Commonwealth) used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional significant portion of the Town's total net position (approximately \$20.1 million) represents resources that are subject to external restrictions on how they may be used.

The remaining category represents unrestricted net position, which currently has a deficit balance of approximately \$21.1 million. This deficit balance is primarily the result of the reporting of over \$47.4 million in net OPEB and pension liabilities in the Town's governmental and business-type activities. The Town expects that its deficit in unrestricted net position will continue to increase for the foreseeable future primarily due to OPEB.

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

	Governmental Activities		Business-Type Activities		Total	
	2022	2021 (a)	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 6,946,678	\$ 5,514,604	\$ 8,007,687	\$ 7,066,444	\$ 14,954,365	\$ 12,581,048
Operating grants and contributions	20,901,012	24,768,992	-	-	20,901,012	24,768,992
Capital grants and contributions	619,494	-	-	-	619,494	-
General revenues:						
Property taxes	45,945,192	44,915,042	-	-	45,945,192	44,915,042
Excise taxes	2,354,073	1,838,306	-	-	2,354,073	1,838,306
Intergovernmental	1,340,851	3,225,468	-	-	1,340,851	3,225,468
Other	274,484	1,238,248	-	53,600	274,484	1,291,848
Total Revenues	<u>78,381,784</u>	<u>81,500,660</u>	<u>8,007,687</u>	<u>7,120,044</u>	<u>86,389,471</u>	<u>88,620,704</u>
Expenses:						
General government	5,435,837	5,673,033	-	-	5,435,837	5,673,033
Public safety	8,502,861	10,624,661	-	-	8,502,861	10,624,661
Education	46,565,200	45,303,279	-	-	46,565,200	45,303,279
Public works	5,227,130	5,932,292	-	-	5,227,130	5,932,292
Health and human services	783,685	831,475	-	-	783,685	831,475
Culture and recreation	1,848,310	1,606,643	-	-	1,848,310	1,606,643
Interest expense	864,122	851,095	-	-	864,122	851,095
Utilities	-	-	6,738,990	6,173,163	6,738,990	6,173,163
Total Expenses	<u>69,227,145</u>	<u>70,822,478</u>	<u>6,738,990</u>	<u>6,173,163</u>	<u>75,966,135</u>	<u>76,995,641</u>
Change in Net Position Before Transfers	9,154,639	10,678,182	1,268,697	946,881	10,423,336	11,625,063
Transfers	<u>359,313</u>	<u>344,365</u>	<u>(359,313)</u>	<u>(344,365)</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>9,513,952</u>	<u>11,022,547</u>	<u>909,384</u>	<u>602,516</u>	<u>10,423,336</u>	<u>11,625,063</u>
Net Position:						
Beginning of year	81,594,961	74,009,393	28,464,900	28,757,297	110,059,861	102,766,690
Restatements (refer to Note V)	<u>-</u>	<u>(3,436,979)</u>	<u>-</u>	<u>(894,913)</u>	<u>-</u>	<u>(4,331,892)</u>
End of year	<u>\$ 91,108,913</u>	<u>\$ 81,594,961</u>	<u>\$ 29,374,284</u>	<u>\$ 28,464,900</u>	<u>\$ 120,483,197</u>	<u>\$ 110,059,861</u>

(a) Certain reclassifications have been made to the prior year's balances to conform to current year presentation.

Governmental Activities – Total revenues in fiscal year 2022 in the Town's governmental activities decreased over \$3.1 million, or 3.8%, from the prior fiscal year. This decrease was due primarily to decreases of approximately \$3.9 million and \$1.9 million in operating grants and contributions and general intergovernmental revenues, respectively.

The Town's largest revenue source is property taxes, which represented approximately 59% and 55% of total fiscal year 2022 and 2021 revenues, respectively. Property taxes increased over \$1.0 million, or 2.3%, in fiscal year 2022 due to normal property tax increases. Operating grants and contributions represented approximately 27% and 30% of total fiscal year 2022 and 2021 revenues, respectively. Operating grants and contributions decreased nearly \$3.9 million in fiscal year 2022, which was due primarily to a decrease in corona virus relief funds received from the Commonwealth and federal governments as well as a decrease in the Commonwealth's contributions to the MTRS on behalf of the Town. No other revenue sources were greater than 10% of total revenues in fiscal years 2022 or 2021.

Education represents the largest expense category for the Town. In total, education expenses represented approximately 67% and 64%, respectively, of total fiscal year 2022 and 2021 expenses. Public safety expenses represented approximately 12% and 15%, respectively, of total fiscal year 2022 and 2021 expenses. No other expense types were greater than 10% of total expenses in fiscal years 2022 or 2021.

Business-Type Activities – Total business-type activities revenues increased nearly \$0.9 million in fiscal year 2022. A portion of this increase was due to utility rate increases. Expenses in the business-type activities increased nearly \$0.6 million in fiscal year 2022, primarily as the result of higher noncash personnel costs associated with net pension and OPEB liabilities.

Government Funds Financial Analysis

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

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

As of the close of the current fiscal year, the Town’s governmental funds balance sheet reported a combined ending fund balance surplus of nearly \$36.3 million, which was approximately \$5.0 million greater than the prior year. The Town reported positive changes in fund balances in each of its reported major governmental funds in fiscal year 2022 except its capital projects fund, which reported a decrease in fund balance of over \$0.4 million. Of the ending fund balances, approximately \$9.3 million is available for spending at the government’s discretion as unassigned fund balance. The remainder is earmarked for specific expenditures.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was approximately \$9.8 million, while total general fund balance approached \$22.9 million. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance at year end represents approximately 15% of total fiscal year 2022 general fund expenditures, while total fund balance represents approximately 35% of that same amount.

The community preservation fund reported a fund balance of nearly \$4.1 million at June 30, 2022, which was an increase of nearly \$0.5 million from the prior year.

The capital projects fund expended nearly \$0.9 million, the majority of which was used for parks improvements. The capital projects fund reports a deficit fund balance of approximately \$114,000. The Town expects to cure this deficit through future issuances of long-term general obligation bonds.

Beginning in fiscal year 2022, the Town began reporting the financial activity and position of its ARPA grant fund as a major governmental fund. The ARPA grant fund has not yet expended any funds and, as of June 30, 2022, reports cash assets of approximately \$3.2 million and a corresponding unearned revenue (liability) of that same figure.

The nonmajor governmental funds reported an increase in fund balance of over \$1.9 million in fiscal year 2022, which is primarily the function of timing of receipts versus expenditures.

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

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

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were primarily due to the Town's use of approximately \$0.5 million in free cash to fund certain articles and transfers. A reconciliation of these differences is found in the required supplementary information.

Capital Asset and Debt Administration

Capital Assets – The Town's investment in capital assets, which includes land, buildings, infrastructure, machinery and equipment, for its governmental and business-type activities as of June 30, 2022 totaled approximately \$168.8 million, net of accumulated depreciation. This is an increase of over \$25.7 million from the prior year as fiscal year 2022 capital additions (particularly in the business-type activities) exceeded depreciation expense.

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

Long-Term Debt – The Town's total general obligation bond and notes payable debt decreased approximately \$4.9 million in fiscal year 2022 to approximately \$47.7 million at June 30, 2022. The Town did not issue any long-term debt in fiscal year 2022. Subsequent to year end, the Town completed the sale of approximately \$18 million in general obligation bonds in August 2022.

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

In connection with the Town's August 2022 general obligation bond issuance, Standard & Poor's Financial Services affirmed the Town's AAA credit rating on its long-term debt, which is the highest credit rating for long-term debt issued by this agency.

Economic Factors and Next Year's Budgets

- Net state aid for fiscal year 2023 is expected to approximate \$11.7 million.
- The Town enters fiscal year 2022 with the following financial reserves:
 - Certified free cash of approximately \$4.4 million;
 - General stabilization funds of approximately \$4.2 million; and
 - Capital stabilization funds of approximately \$7.2 million.
- Inflation is expected to affect the Town in a number of areas including increased capital acquisition costs and operating expenses.
- The Town's real estate tax base is made up predominantly of residential taxes, which in setting the 2022 tax rate was approximately 77% of the entire property tax levy. The Town also relies to a moderate degree on its commercial, industrial and personal property real estate tax base which comprise the remainder of the levy. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town's ability to increase taxes in any one year by more than 2 ½% of the previous year's tax levy. The Town typically taxes at or near its levy limit.

- Property values within the Town have been steadily increasing. Many neighborhoods' property values are at all-time highs.

The above items were considered when the Town approved its fiscal year 2023 budget in its June 2022 Annual Town Meeting. The Town expects to set its fiscal year 2023 property tax rate in November 2022.

Requests for Information

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

TOWN OF MEDWAY, MASSACHUSETTS

STATEMENT OF NET POSITION JUNE 30, 2022

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 43,160,815	\$ 6,713,905	\$ 49,874,720
Receivables, net of allowances:			
Property taxes	1,639,665	-	1,639,665
Excise taxes	92,634	-	92,634
Departmental, user charges and other	344,651	2,112,023	2,456,674
Intergovernmental	320,629	-	320,629
Land	25,791,418	614,836	26,406,254
Construction in-progress	-	6,420,364	6,420,364
Depreciable capital assets, net	<u>105,187,801</u>	<u>30,817,418</u>	<u>136,005,219</u>
Total Assets	<u>176,537,613</u>	<u>46,678,546</u>	<u>223,216,159</u>
Deferred Outflows of Resources:			
Other postemployment benefits	8,511,487	193,247	8,704,734
Pensions	<u>2,476,452</u>	<u>152,478</u>	<u>2,628,930</u>
Total Deferred Outflows of Resources	<u>10,987,939</u>	<u>345,725</u>	<u>11,333,664</u>
			<i>(continued)</i>

TOWN OF MEDWAY, MASSACHUSETTS

STATEMENT OF NET POSITION JUNE 30, 2022

	Governmental Activities	Business-Type Activities	Total
Liabilities:			
Warrants and accounts payable	\$ 743,324	\$ 258,261	\$ 1,001,585
Accrued payroll and withholdings	1,208,445	40,153	1,248,598
Accrued interest	287,125	119,000	406,125
Other liabilities	58,850	-	58,850
Deposits and escrows	1,489,673	-	1,489,673
Unearned revenues	3,245,008	-	3,245,008
Short-term notes payable	552,265	-	552,265
Noncurrent liabilities:			
Due within one year	3,521,302	1,250,081	4,771,383
Due in more than one year	75,164,920	15,561,550	90,726,470
Total Liabilities	<u>86,270,912</u>	<u>17,229,045</u>	<u>103,499,957</u>
Deferred Inflows of Resources:			
Other postemployment benefits	5,242,041	119,017	5,361,058
Pensions	4,903,686	301,925	5,205,611
Total Deferred Inflows of Resources	<u>10,145,727</u>	<u>420,942</u>	<u>10,566,669</u>
Net Position:			
Net investment in capital assets	98,411,604	23,013,542	121,425,146
Restricted for:			
Nonexpendable permanent funds	110,869	-	110,869
Expendable perpetual funds	600,768	-	600,768
Community preservation	4,083,651	-	4,083,651
Gifts and donations	2,399,930	-	2,399,930
Receipts reserved for appropriation	1,328,155	-	1,328,155
Other purposes	11,624,361	-	11,624,361
Unrestricted	<u>(27,450,425)</u>	<u>6,360,742</u>	<u>(21,089,683)</u>
Total Net Position	<u>\$ 91,108,913</u>	<u>\$ 29,374,284</u>	<u>\$ 120,483,197</u>

(concluded)

See accompanying notes to basic financial statements.

TOWN OF MEDWAY, MASSACHUSETTS

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 5,435,837	\$ 733,676	\$ 1,753,449	\$ -	\$ (2,948,712)		\$ (2,948,712)
Public safety	8,502,861	2,509,762	262,981	-	(5,730,118)		(5,730,118)
Education	46,565,200	2,458,846	18,219,667	-	(25,886,687)		(25,886,687)
Public works	5,227,130	602,706	69,040	619,494	(3,935,890)		(3,935,890)
Health and human services	783,685	36,826	498,069	-	(248,790)		(248,790)
Culture and recreation	1,848,310	604,862	97,806	-	(1,145,642)		(1,145,642)
Interest expense	864,122	-	-	-	(864,122)		(864,122)
Total Governmental Activities	69,227,145	6,946,678	20,901,012	619,494	(40,759,961)		(40,759,961)
Business-Type Activities:							
Sewer	1,935,248	2,080,652	-	-		\$ 145,404	145,404
Water	3,223,345	4,346,918	-	-		1,123,573	1,123,573
Solid waste	1,580,397	1,580,117	-	-		(280)	(280)
Total Business-Type Activities	6,738,990	8,007,687	-	-		1,268,697	1,268,697
Total Primary Government	\$ 75,966,135	\$ 14,954,365	\$ 20,901,012	\$ 619,494		1,268,697	(39,491,264)
General Revenues:							
Property taxes					45,945,192	-	45,945,192
Motor vehicle and other excise taxes					2,354,073	-	2,354,073
Grants and contributions not restricted to to specific programs					1,340,851	-	1,340,851
Penalties and interest on taxes					168,614	-	168,614
Unrestricted investment income					105,870	-	105,870
Transfers, net					359,313	(359,313)	-
Total General Revenues and Transfers					50,273,913	(359,313)	49,914,600
Change in Net Position					9,513,952	909,384	10,423,336
Net Position:							
Beginning of year (as restated; refer to Note V)					81,594,961	28,464,900	110,059,861
End of year					\$ 91,108,913	\$ 29,374,284	\$ 120,483,197

See accompanying notes to basic financial statements.

TOWN OF MEDWAY, MASSACHUSETTS

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2022**

	General Fund	Community Preservation Fund	ARPA Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Assets:						
Cash and cash equivalents	\$ 26,132,898	\$ 4,088,132	\$ 3,245,008	\$ 371,653	\$ 9,323,124	\$ 43,160,815
Receivables, net of allowances:						
Property taxes	1,624,805	14,860	-	-	-	1,639,665
Excise taxes	92,634	-	-	-	-	92,634
Departmental, user charges and other	4,864	-	-	-	339,787	344,651
Intergovernmental	-	-	-	-	320,629	320,629
Total Assets	27,855,201	4,102,992	3,245,008	371,653	9,983,540	45,558,394
Total Deferred Outflows of Resources	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 27,855,201	\$ 4,102,992	\$ 3,245,008	\$ 371,653	\$ 9,983,540	\$ 45,558,394
Liabilities:						
Warrants and accounts payable	\$ 620,098	\$ 4,481	\$ -	\$ 817	\$ 117,928	\$ 743,324
Accrued payroll and withholdings	1,104,557	-	-	-	103,888	1,208,445
Unearned revenues	-	-	3,245,008	-	-	3,245,008
Other liabilities	58,850	-	-	-	-	58,850
Deposits and escrows	1,489,673	-	-	-	-	1,489,673
Short-term notes payable	-	-	-	485,000	67,265	552,265
Total Liabilities	3,273,178	4,481	3,245,008	485,817	289,081	7,297,565
Deferred Inflows of Resources:						
Unavailable revenues - property taxes	1,589,805	14,860	-	-	-	1,604,665
Unavailable revenues - other	97,498	-	-	-	290,363	387,861
Total Deferred Inflows of Resources	1,687,303	14,860	-	-	290,363	1,992,526
Fund Balances:						
Nonspendable	-	-	-	-	110,869	110,869
Restricted	426,151	4,083,651	-	277,779	9,398,552	14,186,133
Committed	10,009,132	-	-	-	-	10,009,132
Assigned	2,653,505	-	-	-	-	2,653,505
Unassigned	9,805,932	-	-	(391,943)	(105,325)	9,308,664
Total Fund Balances	22,894,720	4,083,651	-	(114,164)	9,404,096	36,268,303
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 27,855,201	\$ 4,102,992	\$ 3,245,008	\$ 371,653	\$ 9,983,540	\$ 45,558,394

See accompanying notes to basic financial statements.

TOWN OF MEDWAY, MASSACHUSETTS

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET POSITION AS OF
JUNE 30, 2022**

Total Governmental Fund Balances		\$ 36,268,303
Capital assets used in governmental activities in the statement of net position are not financial resources and, therefore, are not reported in the funds.		130,979,219
Certain receivables and revenues are deferred in the governmental funds as they are not current financial resources. These revenues are accrued under the economic resources basis of accounting.		1,992,526
Deferred outflows and inflows of resources to be recognized in future expense are not available resources and, therefore, are not reported in the funds:		
Deferred outflows of resources - other postemployment benefits	8,511,487	
Deferred outflows of resources - pensions	2,476,452	
Deferred inflows of resources - other postemployment benefits	(5,242,041)	
Deferred inflows of resources - pensions	<u>(4,903,686)</u>	
Net effect of reporting deferred outflows and inflows of resources		842,212
Interest is accrued on outstanding long-term debt in the statement of net position but not in the funds until due.		(287,125)
Long-term liabilities not currently due and payable are reported in the statement of net position and not in the funds:		
Net other postemployment benefits liability	(32,593,358)	
Net pension liability	(13,253,123)	
Compensated absences	(387,109)	
Bonds and notes payable	<u>(32,452,632)</u>	
Net effect of reporting long-term liabilities		<u>(78,686,222)</u>
Net Position — Governmental Activities		<u>\$ 91,108,913</u>

See accompanying notes to basic financial statements.

TOWN OF MEDWAY, MASSACHUSETTS

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>General Fund</u>	<u>Community Preservation Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues:					
Property taxes, net of tax refunds	\$ 45,050,431	\$ 965,730	\$ -	\$ -	\$ 46,016,161
Intergovernmental	16,526,840	564,288	-	5,267,185	22,358,313
Motor vehicle and other excise taxes	2,435,695	-	-	-	2,435,695
Licenses and permits	1,040,474	-	-	-	1,040,474
Penalties and interest on taxes	165,961	2,421	-	-	168,382
Fines and forfeitures	5,213	-	-	-	5,213
Departmental and other revenues	848,327	-	-	5,110,906	5,959,233
Contributions and donations	-	-	-	503,044	503,044
Investment income	96,356	8,002	-	1,512	105,870
Total Revenues	<u>66,169,297</u>	<u>1,540,441</u>	<u>-</u>	<u>10,882,647</u>	<u>78,592,385</u>
Expenditures:					
Current:					
General government	3,699,004	118,185	-	845,164	4,662,353
Public safety	6,467,139	-	-	637,911	7,105,050
Education	34,581,508	-	-	5,249,591	39,831,099
Public works	4,156,002	-	120,964	605,186	4,882,152
Health and human services	451,527	-	-	243,275	694,802
Culture and recreation	637,175	-	773,809	508,608	1,919,592
Pension and fringe benefits	9,949,971	-	-	-	9,949,971
State and county charges	885,071	-	-	-	885,071
Debt service:					
Principal	3,113,517	345,000	-	-	3,458,517
Interest	972,073	82,675	-	13,517	1,068,265
Total Expenditures	<u>64,912,987</u>	<u>545,860</u>	<u>894,773</u>	<u>8,103,252</u>	<u>74,456,872</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,256,310</u>	<u>994,581</u>	<u>(894,773)</u>	<u>2,779,395</u>	<u>4,135,513</u>
Other Financing Sources (Uses):					
Transfers in	1,324,344	-	500,000	93,000	1,917,344
Transfers out	(40,000)	(528,000)	(46,037)	(943,994)	(1,558,031)
Total Other Financing Sources (Uses)	<u>1,284,344</u>	<u>(528,000)</u>	<u>453,963</u>	<u>(850,994)</u>	<u>359,313</u>
Change in Fund Balances	2,540,654	466,581	(440,810)	1,928,401	4,494,826
Fund Balances:					
Beginning of the year (as restated)	20,354,066	3,617,070	326,646	7,475,695	31,773,477
End of the year	<u>\$ 22,894,720</u>	<u>\$ 4,083,651</u>	<u>\$ (114,164)</u>	<u>\$ 9,404,096</u>	<u>\$ 36,268,303</u>

See accompanying notes to basic financial statements.

TOWN OF MEDWAY, MASSACHUSETTS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

Change in Fund Balances — Total Governmental Funds \$ 4,494,826

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

Capital asset additions	3,138,620	
Loss on disposal of assets	(153,000)	
Depreciation expense	<u>(5,105,423)</u>	
Net effect of reporting capital activity		(2,119,803)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (57,601)

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

Repayments of long-term debt	3,458,517	
Amortization of bond premiums	<u>170,128</u>	
Net effect of reporting long-term debt activity		3,628,645

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

Net other postemployment benefits liability	1,730,601	
Net pension liability	1,754,978	
Compensated absences	48,291	
Accrued interest	<u>34,015</u>	
Net effect of reporting long-term liabilities		<u>3,567,885</u>

Change in Net Position — Governmental Activities \$ 9,513,952

See accompanying notes to basic financial statements.

TOWN OF MEDWAY, MASSACHUSETTS

PROPRIETARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2022

	Business-Type Activities			
	Sewer	Water	Solid Waste	Total
Assets:				
Current Assets:				
Cash and cash equivalents	\$ 1,756,597	\$ 3,498,790	\$ 1,458,518	\$ 6,713,905
Receivables, net of allowances:				
User charges receivable	474,765	1,054,319	257,606	1,786,690
Betterments	21,499	-	-	21,499
Total Current Assets	2,252,861	4,553,109	1,716,124	8,522,094
Noncurrent Assets:				
Betterments	303,834	-	-	303,834
Land	-	614,836	-	614,836
Construction in-progress	-	6,420,364	-	6,420,364
Depreciable capital assets, net	10,219,550	20,597,868	-	30,817,418
Total Noncurrent Assets	10,523,384	27,633,068	-	38,156,452
Total Assets	12,776,245	32,186,177	1,716,124	46,678,546
Deferred Outflows of Resources:				
Other postemployment benefits	14,799	152,333	26,115	193,247
Pensions	31,547	102,528	18,403	152,478
Total Deferred Outflows of Resources	46,346	254,861	44,518	345,725

(continued)

TOWN OF MEDWAY, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2022**

	Business-Type Activities			
	Sewer	Water	Solid Waste	Total
Liabilities:				
Current Liabilities:				
Warrants and accounts payable	\$ 44,363	\$ 92,225	\$ 121,673	\$ 258,261
Accrued payroll and withholdings	9,572	26,316	4,265	40,153
Accrued interest	11,000	108,000	-	119,000
Compensated absences	1,155	9,294	2,306	12,755
Current portion of long-term debt	185,000	1,052,326	-	1,237,326
Total Current Liabilities	251,090	1,288,161	128,244	1,667,495
Noncurrent liabilities:				
Compensated absences	3,465	27,882	6,919	38,266
Net other postemployment benefits liability	57,653	583,563	98,962	740,178
Net pension liability	168,830	548,696	98,484	816,010
Long-term debt	950,000	13,017,096	-	13,967,096
Total Noncurrent Liabilities	1,179,948	14,177,237	204,365	15,561,550
Total Liabilities	1,431,038	15,465,398	332,609	17,229,045
Deferred Inflows of Resources:				
Other postemployment benefits	9,114	93,819	16,084	119,017
Pensions	62,467	203,019	36,439	301,925
Total Deferred Inflows of Resources	71,581	296,838	52,523	420,942
Net Position:				
Net investment in capital assets	9,084,550	13,928,992	-	23,013,542
Unrestricted	2,235,422	2,749,810	1,375,510	6,360,742
Total Net Position	\$ 11,319,972	\$ 16,678,802	\$ 1,375,510	\$ 29,374,284

(concluded)

See accompanying notes to basic financial statements.

TOWN OF MEDWAY, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022**

	Business-Type Activities			
	Sewer	Water	Solid Waste	Total
Operating Revenues:				
Charges for services	\$ 2,068,516	\$ 4,196,311	\$ 1,579,651	\$ 7,844,478
Other operating revenues	12,136	150,607	466	163,209
Total Operating Revenues	2,080,652	4,346,918	1,580,117	8,007,687
Operating Expenses:				
Payroll and personnel costs	400,594	1,340,536	178,677	1,919,807
Operating costs	1,056,162	717,540	1,401,720	3,175,422
Depreciation	435,042	821,306	-	1,256,348
Total Operating Expenses	1,891,798	2,879,382	1,580,397	6,351,577
Operating Income	188,854	1,467,536	(280)	1,656,110
Nonoperating Revenues (Expenses):				
Interest expenses	(43,450)	(343,963)	-	(387,413)
Total Nonoperating Revenues (Expenses)	(43,450)	(343,963)	-	(387,413)
Income Before Transfers	145,404	1,123,573	(280)	1,268,697
Transfers:				
Transfers out	(67,244)	(238,788)	(53,281)	(359,313)
Total Transfers	(67,244)	(238,788)	(53,281)	(359,313)
Change in Net Position	78,160	884,785	(53,561)	909,384
Net Position:				
Beginning of the year (as restated)	11,241,812	15,794,017	1,429,071	28,464,900
End of the year	\$ 11,319,972	\$ 16,678,802	\$ 1,375,510	\$ 29,374,284

See accompanying notes to basic financial statements.

TOWN OF MEDWAY, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022**

	Business-Type Activities			
	Sewer	Water	Solid Waste	Total
Cash Flows from Operating Activities:				
Receipts from user charges	\$ 2,049,729	\$ 3,887,652	\$ 1,562,356	\$ 7,499,737
Receipts from other operating revenues	12,136	150,607	466	163,209
Payments to employees	(376,933)	(1,120,169)	(186,630)	(1,683,732)
Payments to vendors	(1,061,137)	(973,426)	(1,346,795)	(3,381,358)
Net Cash Provided By Operating Activities	623,795	1,944,664	29,397	2,597,856
Cash Flows from Noncapital Financial Activities:				
Transfers out	(67,244)	(238,788)	(53,281)	(359,313)
Net Cash Used In Noncapital Financing Activities	(67,244)	(238,788)	(53,281)	(359,313)
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	-	(2,512,534)	-	(2,512,534)
Principal repayments on long-term debt	(190,000)	(1,068,748)	-	(1,258,748)
Interest payments	(44,850)	(353,963)	-	(398,813)
Net Cash Used In Capital and Related Financing Activities	(234,850)	(3,935,245)	-	(4,170,095)
Change in Cash and Cash Equivalents	321,701	(2,229,369)	(23,884)	(1,931,552)
Cash and Cash Equivalents:				
Beginning of the year	1,434,896	5,728,159	1,482,402	8,645,457
End of the year	\$ 1,756,597	\$ 3,498,790	\$ 1,458,518	\$ 6,713,905

(continued)

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022**

	Business-Type Activities			
	Sewer	Water	Solid Waste	Total
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:				
Operating Income	\$ 188,854	\$ 1,467,536	\$ (280)	\$ 1,656,110
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:				
Depreciation expense	435,042	821,306	-	1,256,348
Changes in assets, deferred outflows (inflows) of resources and liabilities:				
Receivables and other current assets	(18,787)	(308,659)	(17,295)	(344,741)
Warrants payable and other current liabilities	(4,495)	(257,914)	54,390	(208,019)
Accrued and deferred benefits payable	23,181	222,395	(7,418)	238,158
Net Cash Provided By Operating Activities	<u>\$ 623,795</u>	<u>\$ 1,944,664</u>	<u>\$ 29,397</u>	<u>\$ 2,597,856</u> <i>(concluded)</i>

See accompanying notes to basic financial statements.

TOWN OF MEDWAY, MASSACHUSETTS

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2022**

	<u>OPEB Trust</u>	<u>Private Purpose Trust Funds</u>
Assets:		
Cash and cash equivalents	\$ 25,305	\$ 940,186
Investments at fair value:		
Fixed income securities	308,965	-
Equity securities	1,010,420	-
Mutual funds	<u>785,935</u>	<u>-</u>
Total Assets	<u>2,130,625</u>	<u>940,186</u>
Liabilities:		
Warrants and accounts payable	<u>-</u>	<u>2,500</u>
Total Liabilities	<u>-</u>	<u>2,500</u>
Net Position:		
Restricted for other postemployment benefits	2,130,625	-
Held in trust for private purposes	<u>-</u>	<u>937,686</u>
Total Net Position	<u>\$ 2,130,625</u>	<u>\$ 937,686</u>

See accompanying notes to basic financial statements.

TOWN OF MEDWAY, MASSACHUSETTS

FIDUCIARY FUNDS STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FOR THE YEAR ENDED JUNE 30, 2022

	OPEB Trust	Private Purpose Trust Funds
	<u>Trust</u>	<u>Trust Funds</u>
Additions:		
Employer contributions	\$ 1,641,829	\$ -
Other contributions	<u>-</u>	<u>21,896</u>
Total contributions	<u>1,641,829</u>	<u>21,896</u>
Net investment (loss) income	<u>(175,172)</u>	<u>7,307</u>
Total Additions	<u>1,466,657</u>	<u>29,203</u>
Deductions:		
Benefits to retirees	1,341,829	-
Scholarships	<u>-</u>	<u>51,973</u>
Total Deductions	<u>1,341,829</u>	<u>51,973</u>
Change in Net Position	124,828	(22,770)
Net Position:		
Beginning of the year	<u>2,005,797</u>	<u>960,456</u>
End of the year	<u>\$ 2,130,625</u>	<u>\$ 937,686</u>

See accompanying notes to basic financial statements.

TOWN OF MEDWAY, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The government reports the following major governmental funds:

General Fund – is the government’s primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

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

ARPA Fund – was established as a major fund in fiscal year 2022 and is used to account for the Town’s expenditure of the American Rescue Plan Act of 2021.

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues are user charges and fees, while operating expenses consist of salaries, ordinary maintenance, assessments, indirect costs and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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

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

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

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

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

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

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

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

All purchases and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected lives of greater than two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

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

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

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

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

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

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

Unearned Revenues – Amounts collected in advance from federal and state grants are reported as unearned revenues if material.

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

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

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

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

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

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

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

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

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

Gifts and donations represent funds restricted for use by donors.

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

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

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

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

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

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

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

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

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

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

E. Use of Estimates

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

II. Detailed Notes to All Funds

A. Deposits and Investments

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

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

Custodial Credit Risk: Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. In practice, the Town deposits its excess cash resources in financial institutions with proven financial strength, capital adequacy and, in many cases, which maintain excess depository insurance for deposits exceeding the \$250,000 Federal Depository Insurance Corporation (the "FDIC") insurance threshold. At June 30, 2022, all Town deposits were fully insured by the FDIC or additional depository insurance.

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

Fair Value Measurements: Investments – The following table presents the Town's investments carried at fair value on a recurring basis in at June 30, 2022:

Investments by Fair Value Level	June 30, 2022	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Debt securities:				
U.S. Treasury notes	\$ 119,377	\$ 119,377	\$ -	\$ -
U.S. Government agency obligations	50,705	-	50,705	-
Corporate bonds	138,883	-	138,883	-
Total debt securities	308,965	119,377	189,588	-
Equity securities	1,010,420	1,010,420	-	-
Mutual funds	785,935	-	785,935	-
Total Investments by Fair Value Level	<u>\$ 2,105,320</u>	<u>\$ 1,129,797</u>	<u>\$ 975,523</u>	<u>\$ -</u>

Interest Rate Risk: Investments – This is the risk that changes in interest rates will adversely affect the fair value of an investment. In general, the longer the maturity of an investment, the more sensitive it is to changes in market interest rates. The following table presents the Town’s investments and maturities at June 30, 2022:

<u>Investments</u>	<u>Fair Value</u>	<u>Time Until Maturity (in years)</u>		
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>
Debt securities:				
U.S. Government obligations	\$ 170,082	\$ 14,965	\$ 101,533	\$ 53,584
Corporate bonds	<u>138,883</u>	<u>44,921</u>	<u>93,962</u>	<u>-</u>
Total investments with maturities	<u>308,965</u>	<u>\$ 59,886</u>	<u>\$ 195,495</u>	<u>\$ 53,584</u>
Other investments:				
Equity securities	1,010,420			
Mutual funds	<u>785,935</u>			
Total Investments	<u>\$ 2,105,320</u>			

Credit Risk: Investments – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The following table summarizes the credit ratings assigned by Moody’s Investors Service for Town investments in fixed income securities at June 30, 2022:

<u>Credit Rating</u>	<u>U.S.</u>	
	<u>Government Obligations</u>	<u>Corporate Bonds</u>
Aaa	\$ 170,082	\$ 19,884
Aa2	-	75,005
A1	-	29,613
A2	<u>-</u>	<u>14,381</u>
	<u>\$ 170,082</u>	<u>\$ 138,883</u>

Concentration of Credit Risk: Investments – No individual investment represented more than 5% of the Town’s total investments at June 30, 2022.

B. Receivables

Receivables as of June 30, 2022 for the Town's individual and nonmajor governmental funds in the aggregate, including applicable allowances for uncollectible accounts, were as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Property taxes	\$ 616,150	\$ (17,750)	\$ 598,400
Tax liens	1,041,265	-	1,041,265
Motor vehicle excise taxes	184,134	(91,500)	92,634
Ambulance	273,456	(83,500)	189,956
Departmental	154,695	-	154,695
Intergovernmental	320,629	-	320,629
	<u>\$ 2,590,329</u>	<u>\$ (192,750)</u>	<u>\$ 2,397,579</u>

Receivables as of June 30, 2022 for the Town's proprietary funds were as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Sewer user charges	\$ 479,104	\$ (5,000)	\$ 474,104
Sewer betterments	325,333	-	325,333
Water user charges	1,059,319	(5,000)	1,054,319
Solid waste user charges	258,606	(1,000)	257,606
	<u>\$ 2,122,362</u>	<u>\$ (11,000)</u>	<u>\$ 2,111,362</u>

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

	General Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 555,130	\$ 8,270	\$ -	\$ 563,400
Tax liens	1,034,675	6,590	-	1,041,265
Motor vehicle excise taxes	92,634	-	-	92,634
Departmental	4,864	-	100,407	105,271
Ambulance	-	-	189,956	189,956
	<u>\$ 1,687,303</u>	<u>\$ 14,860</u>	<u>\$ 290,363</u>	<u>\$ 1,992,526</u>

C. Capital Assets

Capital asset activity for the year ended June 30, 2022 was as follows:

	Beginning Balance (a)	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 25,791,418	\$ -	\$ -	\$ 25,791,418
Construction in-progress	15,420,768	-	(15,420,768)	-
Total capital assets not being depreciated	41,212,186	-	(15,420,768)	25,791,418
Capital assets being depreciated:				
Buildings and improvements	114,688,459	16,677,914	(271,805)	131,094,568
Infrastructure	40,783,859	1,137,355	-	41,921,214
Machinery and equipment	12,652,579	638,735	(78,468)	13,212,846
Vehicles	3,953,233	105,384	-	4,058,617
Total capital assets being depreciated	172,078,130	18,559,388	(350,273)	190,287,245
Less accumulated depreciation for:				
Buildings and improvements	(43,327,456)	(3,071,023)	118,805	(46,279,674)
Infrastructure	(27,036,739)	(942,733)	-	(27,979,472)
Machinery and equipment	(7,608,572)	(684,763)	78,468	(8,214,867)
Vehicles	(2,218,527)	(406,904)	-	(2,625,431)
Total accumulated depreciation	(80,191,294)	(5,105,423)	197,273	(85,099,444)
Total capital assets being depreciated, net	91,886,836	13,453,965	(153,000)	105,187,801
Governmental Activities Capital Assets, Net	<u>\$ 133,099,022</u>	<u>\$ 13,453,965</u>	<u>\$ (15,573,768)</u>	<u>\$ 130,979,219</u>

(a) As restated; refer to Note V.

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

General government	\$ 293,065
Public safety	559,443
Education	2,345,434
Public works	1,489,561
Culture and recreation	417,920
	<u>\$ 5,105,423</u>

	Beginning Balance (a)	Increases	Decreases	Ending Balance
<u>Business-Type Activities: Combined:</u>				
Capital assets not being depreciated:				
Land	\$ 614,836	\$ -	\$ -	\$ 614,836
Construction in-progress	3,907,830	2,512,534	-	6,420,364
Total capital assets not being depreciated	4,522,666	2,512,534	-	7,035,200
Capital assets being depreciated:				
Infrastructure	60,266,019	-	-	60,266,019
Machinery and equipment	1,796,759	-	-	1,796,759
Vehicles	572,747	-	-	572,747
Total capital assets being depreciated	62,635,525	-	-	62,635,525
Less accumulated depreciation for:				
Infrastructure	(28,986,859)	(1,040,655)	-	(30,027,514)
Machinery and equipment	(1,149,296)	(160,871)	-	(1,310,167)
Vehicles	(425,604)	(54,822)	-	(480,426)
Total accumulated depreciation	(30,561,759)	(1,256,348)	-	(31,818,107)
Total capital assets being depreciated, net	32,073,766	(1,256,348)	-	30,817,418
Business-Type Activities Capital Assets, Net	<u>\$ 36,596,432</u>	<u>\$ 1,256,186</u>	<u>\$ -</u>	<u>\$ 37,852,618</u>

(a) As restated; refer to Note V.

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities: Sewer</u>				
Capital assets being depreciated:				
Infrastructure	\$ 19,904,694	\$ -	\$ -	\$ 19,904,694
Machinery and equipment	137,224	-	-	137,224
Vehicles	261,201	-	-	261,201
Total capital assets being depreciated	20,303,119	-	-	20,303,119
Less accumulated depreciation for:				
Infrastructure	(9,370,317)	(375,704)	-	(9,746,021)
Machinery and equipment	(109,779)	(27,445)	-	(137,224)
Vehicles	(168,431)	(31,893)	-	(200,324)
Total accumulated depreciation	(9,648,527)	(435,042)	-	(10,083,569)
Total capital assets being depreciated, net	10,654,592	(435,042)	-	10,219,550
Total Sewer	<u>\$ 10,654,592</u>	<u>\$ (435,042)</u>	<u>\$ -</u>	<u>\$ 10,219,550</u>

(continued)

	Beginning Balance (a)	Increases	Decreases	Ending Balance
Business-Type Activities: Water				
Capital assets not being depreciated:				
Land	\$ 614,836	\$ -	\$ -	\$ 614,836
Construction in-progress	3,907,830	2,512,534	-	6,420,364
Total capital assets not being depreciated	4,522,666	2,512,534	-	7,035,200
Capital assets being depreciated:				
Infrastructure	40,361,325	-	-	40,361,325
Machinery and equipment	1,659,535	-	-	1,659,535
Vehicles	311,546	-	-	311,546
Total capital assets being depreciated	42,332,406	-	-	42,332,406
Less accumulated depreciation for:				
Infrastructure	(19,616,542)	(664,951)	-	(20,281,493)
Machinery and equipment	(1,039,517)	(133,426)	-	(1,172,943)
Vehicles	(257,173)	(22,929)	-	(280,102)
Total accumulated depreciation	(20,913,232)	(821,306)	-	(21,734,538)
Total capital assets being depreciated, net	21,419,174	(821,306)	-	20,597,868
Total Water	\$ 25,941,840	\$ 1,691,228	\$ -	\$ 27,633,068
				(concluded)

(a) As restated; refer to Note V.

D. Interfund Transfers

The composition of interfund transfers for the fiscal year ended June 30, 2022 was as follows:

Transfers Out	Transfers In			Total
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ -	\$ 40,000	\$ 40,000 (1)
Community Preservation Fund	-	500,000	28,000	528,000 (2)
Capital Projects Fund	46,037	-	-	46,037 (3)
Nonmajor Governmental Funds	943,994	-	-	943,994 (4)
Sewer Enterprise Fund	67,244	-	-	67,244 (5)
Water Enterprise Fund	213,788	-	25,000	238,788 (5) (6)
Solid Waste Fund	53,281	-	-	53,281 (5)
	<u>\$ 1,324,344</u>	<u>\$ 500,000</u>	<u>\$ 93,000</u>	<u>\$ 1,917,344</u>

- (1) Budgeted transfers to special revenues funds.
- (2) Transfer of \$500,000 to capital projects for parks improvement and \$28,000 to the affordable housing trust.
- (3) Transfer to general fund of closed projects.
- (4) Budgeted transfers of \$687,242 to supplement the operating budget; the remainder represented transfers of closed special revenue funds and the correction of prior period accounting.
- (5) Transfer of funds for debt service.
- (6) Transfer of \$25,000 to a water-related special revenue fund.

E. Short-Term or Temporary Debt

The Town is authorized to borrow on a short-term or temporary basis to fund current operating costs (generally through revenue or tax anticipation notes) or capital projects (generally through grant anticipation notes or bond anticipation notes). Short-term or temporary notes are general obligations of the Town and carry maturity dates that are limited by state law. Interest expenditures and expenses for short-term or temporary borrowings are generally accounted for in the general fund and enterprise funds, respectively. The following summarizes the Town's short-term or temporary borrowings for the fiscal year ended June 30, 2022:

Type	Interest Rate	Maturity Date	Beginning Balance	Increases	Decreases	Ending Balance
MCWT interim note payable	0.00%	n/a	\$ 22,383	\$ 44,882	\$ -	\$ 67,265
Bond anticipation note payable	0.39%	matured	135,000	-	(135,000)	-
Bond anticipation note payable	0.35%	10/20/2022	-	135,000	-	135,000
Bond anticipation note payable	2.00%	8/2/2022	-	350,000	-	350,000
			<u>\$ 157,383</u>	<u>\$ 529,882</u>	<u>\$ (135,000)</u>	<u>\$ 552,265</u>

The Town has the ability to draw an additional \$132,735 from the Massachusetts Clean Water Trust (the "MCWT") as part of a \$200,000 July 2016 loan commitment between the parties.

Short-term or temporary borrowings were issued for the following at June 30, 2022:

Parks improvements	\$ 350,000
Urban renewal	135,000
Septic programs	<u>67,265</u>
	<u><u>\$ 552,265</u></u>

F. Long-Term Liabilities

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

Description of Issue	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
General obligation bonds	\$ 34,600,000	\$ -	\$ (3,445,000)	\$ 31,155,000	\$ 3,255,000
Unamortized bond premium	1,310,000	-	(170,128)	1,139,872	155,993
Direct borrowings and placements	171,277	-	(13,517)	157,760	13,532
Compensated absences	435,400	-	(48,291)	387,109	96,777
Net OPEB liability	21,919,227	17,880,266	(7,206,135)	32,593,358	-
Net pension liability	<u>16,910,305</u>	<u>5,374,333</u>	<u>(9,031,515)</u>	<u>13,253,123</u>	<u>-</u>
Total Governmental Activities	<u>\$ 75,346,209</u>	<u>\$ 23,254,599</u>	<u>\$ (19,914,586)</u>	<u>\$ 78,686,222</u>	<u>\$ 3,521,302</u>

Description of Issue	Beginning Balance (a)	Increases	Decreases	Ending Balance	Due Within One Year
<i>Business-Type Activities:</i>					
Sewer:					
General obligation bonds	\$ 1,325,000	\$ -	\$ (190,000)	\$ 1,135,000	\$ 185,000
Compensated absences	5,300	-	(680)	4,620	1,155
Net OPEB liability	4,059	63,227	(9,633)	57,653	-
Net pension liability	215,418	55,332	(101,920)	168,830	-
Total Sewer	1,549,777	118,559	(302,233)	1,366,103	186,155
Water:					
General obligation bonds	12,200,000	-	(875,000)	11,325,000	860,000
Unamortized bond premium	414,689	-	(49,343)	365,346	44,863
Direct borrowings and placements	2,523,402	-	(144,326)	2,379,076	147,463
Compensated absences	23,521	13,655	-	37,176	9,294
Net OPEB liability	171,976	515,604	(104,017)	583,563	-
Net pension liability	700,108	187,209	(338,621)	548,696	-
Total Water	16,033,696	716,468	(1,511,307)	15,238,857	1,061,620
Solid Waste:					
Compensated absences	5,200	4,025	-	9,225	2,306
Net OPEB liability	61,642	57,512	(20,192)	98,962	-
Net pension liability	125,660	35,046	(62,222)	98,484	-
Total Solid Waste	192,502	96,583	(82,414)	206,671	2,306
Total Business-Type Activities	\$ 17,775,975	\$ 931,610	\$ (1,895,954)	\$ 16,811,631	\$ 1,250,081

(a) As restated; refer to Note V.

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

General obligation bonds and notes payable outstanding at June 30, 2022 were as follows:

Description	Interest Rate	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>					
General obligation bonds	1.00 - 5.00%	\$ 34,600,000	\$ -	\$ (3,445,000)	\$ 31,155,000
MCWT Notes	2.00%	171,277	-	(13,517)	157,760
Total Governmental Activities		34,771,277	-	(3,458,517)	31,312,760
Add: unamortized bond premium		1,310,000	-	(170,128)	1,139,872
Total Governmental Activities, net		\$ 36,081,277	\$ -	\$ (3,628,645)	\$ 32,452,632
<i>Business-Type Activities - Sewer:</i>					
General obligation bonds	2.00 - 5.0%	\$ 1,325,000	\$ -	\$ (190,000)	\$ 1,135,000
<i>Business-Type Activities - Water:</i>					
General obligation bonds	1.00 - 5.00%	12,200,000	-	(875,000)	11,325,000
MCWT Notes	2.00%	2,523,402	-	(144,326)	2,379,076
Total Governmental Activities		4,270,000	-	(1,019,326)	13,704,076
Add: unamortized bond premium		414,689	-	(49,343)	365,346
Total Water		4,684,689	-	(1,068,669)	14,069,422
Total Business-Type Activities, net		\$ 6,009,689	\$ -	\$ (1,258,669)	\$ 15,204,422

Debt service requirements on long-term debt at June 30, 2022 are as follows:

Year Ended June 30,	Governmental Activities			
	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2023	\$ 3,255,000	\$ 936,394	\$ 13,532	\$ 270
2024	3,140,000	824,913	13,546	90
2025	3,100,000	719,859	9,962	-
2026	3,095,000	614,339	9,977	-
2027	2,455,000	516,667	9,992	-
2028 - 2032	9,920,000	1,473,937	50,186	-
2033 - 2037	4,135,000	445,669	50,565	-
2038 - 2041	2,055,000	75,359	-	-
	<u>\$ 31,155,000</u>	<u>\$ 5,607,137</u>	<u>\$ 157,760</u>	<u>\$ 360</u>

Year Ended June 30,	Business-Type Activities: Combined			
	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2023	\$ 1,045,000	\$ 310,809	\$ 147,463	\$ 47,366
2024	1,010,000	273,434	150,669	44,412
2025	1,000,000	239,709	153,942	41,394
2026	955,000	208,844	157,288	38,310
2027	950,000	178,678	160,708	35,159
2028 - 2032	3,710,000	525,594	857,471	126,085
2033 - 2037	2,145,000	252,078	691,331	38,253
2038 - 2041	1,645,000	65,250	60,204	1,211
	<u>\$ 12,460,000</u>	<u>\$ 2,054,396</u>	<u>\$ 2,379,076</u>	<u>\$ 372,190</u>

Year Ended June 30,	Business-Type Activities: Sewer			
	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2023	\$ 185,000	\$ 38,925	\$ -	\$ -
2024	150,000	32,994	-	-
2025	150,000	27,800	-	-
2026	130,000	22,538	-	-
2027	130,000	17,612	-	-
2028 - 2030	390,000	22,768	-	-
	<u>\$ 1,135,000</u>	<u>\$ 162,637</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

Year Ended June 30,	Business-Type Activities: Water			
	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2023	\$ 860,000	\$ 271,884	\$ 147,463	\$ 47,366
2024	860,000	240,440	150,669	44,412
2025	850,000	211,909	153,942	41,394
2026	825,000	186,306	157,288	38,310
2027	820,000	161,066	160,708	35,159
2028 - 2032	3,320,000	502,826	857,471	126,085
2033 - 2037	2,145,000	252,078	691,331	38,253
2038 - 2041	1,645,000	65,250	60,204	1,211
	<u>\$ 11,325,000</u>	<u>\$ 1,891,759</u>	<u>\$ 2,379,076</u>	<u>\$ 372,190</u>
				(concluded)

Authorized and unissued debt at June 30, 2022 included:

<u>Project</u>	<u>Amount</u>
Urban renewal projects	\$ 2,650,000
Parks projects	600,000
	<u>\$ 3,250,000</u>

Subsequent General Obligation Bond Issuance – In August 2022, the Town completed the issuance of approximately \$18 million in general obligation bonds.

G. Fund Balances

The components of fund balances as listed in aggregate in the governmental funds balance sheet at June 30, 2022 are as follows:

	General Fund	Community Preservation Funds	Capital Projects Funds	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Nonexpendable perpetual funds	\$ -	\$ -	\$ -	\$ 110,869	\$ 110,869
Restricted:					
Expendable perpetual funds	-	-	-	600,768	600,768
Debt service reserve	426,151	-	-	-	426,151
Community preservation	-	4,083,651	-	-	4,083,651
Capital projects	-	-	277,779	-	277,779
Special revenue funds	-	-	-	8,797,784	8,797,784
Committed:					
General government	457,111	-	-	-	457,111
Public safety	97,272	-	-	-	97,272
Education	493,999	-	-	-	493,999
Public works	825,092	-	-	-	825,092
Culture and recreation	123,355	-	-	-	123,355
Culture and recreation	174,326	-	-	-	174,326
Capital stabilization funds	7,193,045	-	-	-	7,193,045
Other stabilization funds	644,932	-	-	-	644,932
Assigned:					
Public safety	166,003	-	-	-	166,003
Education	175,760	-	-	-	175,760
Subsequent years' budget	2,272,365	-	-	-	2,272,365
Other purposes	39,377	-	-	-	39,377
Unassigned:					
General stabilization funds	4,163,675	-	-	-	4,163,675
Unrestricted	5,642,257	-	(391,943)	(105,325)	5,144,989
	<u>\$ 22,894,720</u>	<u>\$ 4,083,651</u>	<u>\$ (114,164)</u>	<u>\$ 9,404,096</u>	<u>\$ 36,268,303</u>

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

Encumbrances – The Town's encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal purchasing activity approved by the Town Controller as assigned, and (2) classify encumbrances that result from an action of the Town Council as committed. Encumbrances of funds already restricted or committed are included within the classification of those fund balances and not reported separately. The Town reports \$381,140 of encumbrances from normal purchasing activity in the general fund as assigned. There are no encumbrances reported in any other fund.

I. Excess of Expenditures Over Appropriations and Deficits

The Town did not report any expenditures over appropriations in fiscal year 2022.

The Town reported deficits of \$391,943 and \$105,325, respectively, in its nonmajor governmental funds and capital projects fund at June 30, 2022. The Town expects these deficits will be cured through future intergovernmental receipts, budget transfers or the issuance of general obligation bonds.

III. Other Information

A. Retirement System

Pension Plan Description – The Town contributes to the Norfolk County Retirement System (the “Retirement System”), a cost-sharing multiple-employer defined benefit pension plan. The Retirement System was established under Chapter 32 of Massachusetts General Laws (“MGL”). The Retirement System is administered by the Norfolk County Retirement Board (the “Retirement Board”). Stand-alone audited financial statements for the year ended December 31, 2021 were issued and are available by submitting a request to the Retirement System at 480 Neponset Street, Building No. 15, Canton, Massachusetts 02021.

Current membership in the Retirement System for all forty-two participating employers as of December 31, 2021 was as follows:

Active members	6,685
Inactive members	3,098
Retirees and beneficiaries	<u>3,728</u>
	<u>13,511</u>

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

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

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

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

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

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

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

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

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

The Town contributed \$3,270,645 to the Retirement System in fiscal year 2022, which equaled its actuarially-determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll were approximately 24% in fiscal year 2022.

Net Pension Liability – At June 30, 2022, the Town reported a liability of \$14,069,133 for its proportionate share of the net pension liability. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020 and rolled forward to December 31, 2021, the measurement date. There were no material changes to the Retirement System's benefit terms since the actuarial valuation. There were no material changes in assumption made in this update to from the full actuarial valuation.

The Town's proportion of the net pension liability is based on a projection of the Town's long-term share of contributions to the Retirement System relative to the projected contributions of all employers. The Town's proportion was approximately 3.82% and 3.51%, respectively, at December 31, 2021 and 2020.

Fiduciary Net Position – The elements of the Retirement System’s basic financial statements (that is, all information about the Retirement System’s assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position) can be found in the Retirement System’s full financial statements as of and for the year ended December 31, 2021, which can be obtained by contacting the Retirement Board.

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

Pension Expense – The Town recognized \$1,407,612 in pension expense in the statement of activities in fiscal year 2022.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,423,080	\$ -
Net difference between projected and actual earnings on pension plan investments	-	5,205,611
Changes in proportion and differences between Town contributions and proportionate share of contributions	1,205,850	-
	<u>\$ 2,628,930</u>	<u>\$ 5,205,611</u>

The deferred outflows of resources at June 30, 2022 are expected to be recognized in the Town’s pension expense (income) as follows:

Year ended June 30,

2023	\$ 120,640
2024	(1,169,541)
2025	(598,061)
2026	<u>(929,719)</u>
	<u>\$ (2,576,681)</u>

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the Retirement System’s target allocation as of December 31, 2021 are summarized below:

<u>Asset Class</u>	<u>Target 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 estate	2.50%	8.90%

Discount Rate – The discount rate used to measure the total pension liability at December 31, 2021 was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially-determined contribution rates. Based on those assumptions, the Retirement System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis – The following presents the Town’s proportionate share of the net pension liability calculated using the current discount rate as well as the Town’s proportionate share of the net pension liability using a discount rate that is 1% lower or higher than the current rate:

Current Discount Rate	Net Pension Liability At		
	1% Decrease	Current Rate	1% Increase
7.75%	\$ 21,210,876	\$ 14,069,133	\$ 7,999,764

B. Massachusetts Teachers’ Retirement System

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

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

For the year ended June 30, 2022, the Commonwealth contributed \$4,044,014 to the MTRS on behalf of the Town. The Town’s proportionate share of the collective MTRS net pension liability at this reporting date was approximately 0.231%, which was based on the actual, actuarially-determined contribution made by the Commonwealth on behalf of the Town as a percentage of the total annual contribution made by the Commonwealth on behalf of all employers.

The net pension liability assumed by the Commonwealth on behalf of the Town at June 30, 2022 was \$52,518,058.

The pension expense assumed by the Commonwealth on behalf of the Town for fiscal year 2022 was \$4,214,355. This amount has been recognized by the Town as intergovernmental revenue and pension expense in the statement of activities and statement of revenues, expenditures and changes in fund balances for the year ended June 30, 2022.

C. Other Postemployment Benefits

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

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

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of June 30, 2022:

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

Contributions – The contribution requirements of OPEB Plan members and the Town are established and may be amended by the Town. Retirees contribute 50% of medical insurance premiums and 100% of dental and life insurance. The Town currently contributes enough money to the OPEB Plan to satisfy current obligations on a pay-as-you-go basis plus additional contributions, which were \$300,000 in fiscal year 2022. The costs of administering the OPEB Plan are paid by the Town. For the year ended June 30, 2022, the Town’s average contribution rate was approximately 5% of covered payroll.

Net OPEB Liability – The Town’s net OPEB liability was determined using an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022 (the measurement date). The components of the net OPEB liability at June 30, 2022 were as follows:

Total other postemployment benefits liability	\$ 35,464,161
Plan fiduciary net position	<u>(2,130,625)</u>
Net other postemployment benefits liability	<u>\$ 33,333,536</u>
Plan fiduciary net position as a percentage of total other postemployment benefits liability	6.0%

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

Actuarial Cost Method	Individual entry age normal
Asset Valuation Method	Market value of assets as of reporting date
Healthcare Cost Trends	4.5%
Single Equivalent Discount Rate	5.7% (previously 6.5%)
Pre-retirement Mortality	RP-2014 Blue Collar Mortality Table projected generationally with scale MP-2016, set forward one year for females (non-teachers only); for teachers, the RP-2014 White Collar Mortality table was used
Post-retirement Mortality	RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with scale MP-2016, set forward one year for females (non-teachers only); for teachers, the RP-2014 White Collar Healthy Annuitant Table was used
Disabled Mortality	RP-2014 Blue Collar Healthy Annuitant Table projected generationally for scale MP-2016, set forward one year (non-teachers only); for teachers, the RP-2014 White Collar Healthy Annuitant Table was used

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities - large cap	53.00%	4.42%
Domestic equities - small/mid cap	7.50%	4.81%
International equities - developed markets	5.50%	4.91%
International equities - emerging markets	3.75%	5.58%
Fixed income - domestic	20.50%	1.00%
Alternatives	3.25%	5.98%
Real estate	5.25%	6.25%
Cash	<u>1.25%</u>	<u>0.00%</u>
Total	<u>100.00%</u>	
Real rate of return		3.91%
Inflation assumption		<u>2.50%</u>
Total nominal return		6.41%
Less investment expense		<u>-0.25%</u>
Net investment return		<u>6.16%</u>

Discount Rate – The discount rate used to measure the total OPEB liability was 5.7% versus a discount rate of 6.5% in the previous actuarial report.

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2022:

	Increase (Decrease)		
	Total OPEB	Plan Fiduciary	Net OPEB
	Liability	Net Position	Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2021	\$ 24,162,701	\$ 2,005,797	\$ 22,156,904
Changes for the year:			
Service cost	484,577	-	484,577
Interest	1,559,150	-	1,559,150
Changes in assumptions	8,019,320	-	8,019,320
Experience differences	2,580,242	-	2,580,242
Employer contributions	-	1,641,829	(1,641,829)
Net investment income (loss)	-	(175,172)	175,172
Benefit payments	(1,341,829)	(1,341,829)	-
Net changes	11,301,460	124,828	11,176,632
Balances at June 30, 2022	<u>\$ 35,464,161</u>	<u>\$ 2,130,625</u>	<u>\$ 33,333,536</u>

Sensitivity Analyses – The following presents the Town's net OPEB liability at June 30, 2022 as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or higher than the current discount rate:

Current Discount Rate	Net OPEB Liability At		
	1% Decrease	Current Rate	1% Increase
5.70%	\$ 38,212,198	\$ 33,333,536	\$ 29,367,403

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

Health Insurance Trend Rate	Net OPEB Liability At		
	1% Decrease	Current Rate	1% Increase
4.50%	\$ 28,991,336	\$ 33,333,536	\$ 38,690,234

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2022, the Town recognized OPEB expense of \$240,441. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2022 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,101,533	\$ 3,508,836
Changes of assumptions	6,531,506	1,852,222
Net difference between projected and actual earnings on OPEB Plan investments	<u>71,695</u>	<u>-</u>
	<u><u>\$ 8,704,734</u></u>	<u><u>\$ 5,361,058</u></u>

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

Year Ended June 30,

2023	\$ (1,170,168)
2024	163,619
2025	1,552,574
2026	2,030,704
2027	<u>766,947</u>
	<u><u>\$ 3,343,676</u></u>

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

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

Investment Rate of Return – For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was -7.68%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Risk Financing

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

E. Commitments and Contingencies

General – The Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability at June 30, 2022 cannot be determined, management believes that the resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2022.

Appellate Tax Board – The Town has pending cases filed with the Massachusetts Appellate Tax Board of the Commonwealth of Massachusetts (“ATB”). In total, the assessed personal property values for ATB cases totaled over \$150.8 million at June 30, 2022, all of which pertained to personal property taxes with two utility companies. No provision has been made in the government-wide financial statements in the event that the Town is unsuccessful in ATB.

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

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

F. Economic Dependence

During the fiscal year ended June 30, 2022, approximately 25% of total general fund revenues were recognized from the Commonwealth or other governmental agencies.

IV. Implementation of Accounting Pronouncements

A. Current Year Implementations

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefined the manner in which long-term leases are accounted and reported. As amended, the provisions of this Statement became effective in fiscal year 2022. The adoption of this standard did not have a material impact on the Town’s financial statements.

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement established accounting requirements for interest costs incurred before the end of a construction period. As amended, the provisions of this Statement became effective in fiscal year 2022. The adoption of this standard did not have a material impact on the Town’s financial statements.

In June 2020, the GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The objective of this Statement was to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2)

mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The provisions of this Statement became effective in fiscal year 2022. The adoption of this standard did not have a material impact on the Town's financial statements.

B. Future Year Implementations

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to standardize the reporting of conduit debt obligations by issuers by clarifying the existing definition of conduit debt obligation, among other matters. As amended, the provisions of this Statement are effective for financial reporting periods beginning after December 15, 2021 (fiscal year 2023). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In March 2020, the GASB issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issued related to public-private and public-public partnership arrangements. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement is to address accounting for subscription-based information technology arrangements to government end users based on the standards established in Statement No. 87, as amended. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

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

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

V. Restatements and Reclassifications

The following restatements and reclassifications were made to the Town's opening balances:

	Governmental	Business-Type Activities			
	Activities	Sewer	Water	Solid Waste	Total
Net position at June 30, 2021 — as reported	\$ 85,031,940	\$ 11,323,916	\$ 16,544,889	\$ 1,491,008	\$ 29,359,813
Corrections to capital asset values	(4,776,493)	-	(121,397)	-	(121,397)
Record accrued interest	(321,140)	(12,400)	(118,000)	-	(130,400)
Reduce allowances for doubtful accounts	395,000	154,000	66,000	21,000	241,000
Record compensated absences	-	(5,300)	-	(5,200)	(10,500)
Adoption of GASB Statement No. 84	392,038	-	-	-	-
Net position at June 30, 2021 — as restated	<u>\$ 80,721,345</u>	<u>\$ 11,460,216</u>	<u>\$ 16,371,492</u>	<u>\$ 1,506,808</u>	<u>\$ 29,338,516</u>

	General	Community	Capital	Nonmajor	Total
	Fund	Preservation	Projects	Governmental	
Fund balances at June 30, 2021 — as reported	\$ 20,354,066	\$ -	\$ -	\$ 11,027,373	\$ 31,381,439
Establish major fund for financial reporting	-	3,617,070	326,646	(3,943,716)	-
Adoption of GASB Statement No. 84	-	-	-	392,038	392,038
Fund balances at June 30, 2021 — as restated	<u>\$ 20,354,066</u>	<u>\$ 3,617,070</u>	<u>\$ 326,646</u>	<u>\$ 7,475,695</u>	<u>\$ 31,773,477</u>

* * * * *

TOWN OF MEDWAY, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
TOWN PENSION PLAN**

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

(dollar amounts are in thousands)

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

SCHEDULE OF THE TOWN'S CONTRIBUTIONS TO THE PENSION PLAN

(dollar amounts are in thousands)

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

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

See accompanying independent auditors' report.

TOWN OF MEDWAY, MASSACHUSETTS

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

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

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

* Amounts determined for the previous year ended June 30.

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

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

See accompanying independent auditors' report.

TOWN OF MEDWAY, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN**

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

(dollar amounts are in thousands)

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

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

See accompanying independent auditors' report.

TOWN OF MEDWAY, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN**

SCHEDULE OF CONTRIBUTIONS

(dollar amounts are in thousands)

	Year Ended June 30,					
	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 2,062	\$ 1,618	\$ 2,043	\$ 2,738	\$ 3,231	\$ 3,685
Contributions in relation to the actuarially determined contribution	<u>(1,642)</u>	<u>(1,540)</u>	<u>(1,465)</u>	<u>(1,425)</u>	<u>(1,156)</u>	<u>(1,254)</u>
Contribution deficiency (excess)	<u>\$ 420</u>	<u>\$ 78</u>	<u>\$ 578</u>	<u>\$ 1,313</u>	<u>\$ 2,075</u>	<u>\$ 2,431</u>
Covered payroll	\$ 32,596	\$ 26,896	\$ 26,113	\$ 21,905	\$ 21,267	\$ 19,594
Contribution as a percentage of covered payroll	5.0%	5.7%	5.6%	6.5%	5.4%	6.4%

Notes to Schedule:

Valuation date	July 1, 2021
Asset valuation method	Market value of the assets as of the reporting date
Actuarial cost method	Individual entry age normal
Investment rate of return	6.16% (previously 7.75%)
Single equivalent discount rate	5.7% (previously 6.5%)
Healthcare cost trend rates	4.5%

SCHEDULE OF INVESTMENT RETURNS

	Year Ended June 30,					
	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expenses	-7.68%	25.87%	4.07%	11.41%	0.55%	0.00%

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

See accompanying independent auditors' report.

TOWN OF MEDWAY, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual		Actual	Positive
	Original Budget	Final Budget	Budgetary Amounts	Articles and Encumbrances	Budgetary Adjusted	(Negative) Variance
Revenues:						
Property taxes, net of tax refunds	\$ 44,756,707	\$ 44,756,707	\$ 45,050,431		\$ 45,050,431	\$ 293,724
Intergovernmental	12,117,149	12,117,149	12,312,485		12,312,485	195,336
Motor vehicle and other excise taxes	2,068,216	2,068,216	2,435,695		2,435,695	367,479
Licenses and permits	300,000	300,000	1,040,474		1,040,474	740,474
Penalties and interest on taxes	80,000	80,000	165,961		165,961	85,961
Fines and forfeitures	20,000	20,000	5,213		5,213	(14,787)
Departmental and other revenues	576,884	576,884	848,327		848,327	271,443
Investment income	100,000	100,000	61,645		61,645	(38,355)
Total Revenues	60,018,956	60,018,956	61,920,231		61,920,231	1,901,275
Expenditures:						
General government	4,564,294	4,615,294	3,929,389	\$ 484,646	4,414,035	201,259
Public safety	6,893,118	6,893,118	6,467,139	263,275	6,730,414	162,704
Education	31,049,622	31,049,623	30,367,153	669,759	31,036,912	12,711
Public works	5,054,215	5,149,215	4,156,002	827,521	4,983,523	165,692
Health and human services	637,164	637,164	451,527	127,292	578,819	58,345
Culture and recreation	825,368	825,367	637,175	177,774	814,949	10,418
Pension and fringe benefits	11,249,900	11,249,900	10,406,530	2,028	10,408,558	841,342
State and county charges	944,048	944,048	885,071	-	885,071	58,977
Debt service	4,047,412	4,047,412	3,751,277	-	3,751,277	296,135
Total Expenditures	65,265,141	65,411,141	61,051,263	\$ 2,552,295	63,603,558	1,807,583
Other Financing Sources (Uses):						
Transfers in	1,662,186	1,662,186	1,964,975		1,964,975	302,789
Transfers out	(4,033,100)	(4,388,100)	(4,388,100)		(4,388,100)	-
Total Other Financing Sources (Uses)	(2,370,914)	(2,725,914)	(2,423,125)		(2,423,125)	302,789
(Deficiency) Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(7,617,099)	(8,118,099)	\$ (1,554,157)		\$ (4,106,452)	\$ 4,011,647
Other Budgetary Items:						
Prior year articles and encumbrances	3,083,743	3,083,743				
Free cash	4,533,356	5,034,356				
Total Other Budgetary Items	7,617,099	8,118,099				
Net Budget	\$ -	\$ -				

See notes to required supplementary information.

See accompanying independent auditors' report.

TOWN OF MEDWAY, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2022

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

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

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues — budgetary basis			\$ 61,920,231
On behalf payments	\$ 4,214,355	\$ -	4,214,355
Stabilization interest	-	34,711	34,711
Revenues — GAAP basis	<u>\$ 4,214,355</u>	<u>\$ 34,711</u>	<u>\$ 66,169,297</u>
Expenditures — budgetary basis			\$ 61,051,263
Accounting for indirect costs	\$ -	\$ (686,944)	(686,944)
Transfer treatment - debt service	-	334,313	334,313
On behalf payments	4,214,355	-	4,214,355
Expenditures — GAAP basis	<u>\$ 4,214,355</u>	<u>\$ (352,631)</u>	<u>\$ 64,912,987</u>
Net transfers — budgetary basis			\$ (2,423,125)
Accounting for indirect costs	\$ -	\$ (686,944)	(686,944)
Transfer treatment - debt service	-	334,313	334,313
Stabilization transfers	-	4,060,100	4,060,100
Net transfers — GAAP basis	<u>\$ -</u>	<u>\$ 3,707,469</u>	<u>\$ 1,284,344</u>