

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF WEST NEWBURY, MASSACHUSETTS

Report on Examination of the Basic Financial Statements and
Additional Information

Year Ended June 30, 2021

Report on Internal Control Over Financial Reporting and
On Compliance and Other Matters

Year Ended June 30, 2021



TOWN OF WEST NEWBURY, MASSACHUSETTS

TABLE OF CONTENTS YEAR ENDED JUNE 30, 2021

	<u>Page</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	1-2
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u>	3-8
<u>BASIC FINANCIAL STATEMENTS:</u>	
Government-Wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements	
Balance Sheet – Governmental Funds	11
Reconciliation of the Governmental Funds Balance Sheet Total Fund	
Balances to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balances –	
Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in	
Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Net Position – Proprietary Funds	15
Statement of Revenues, Expenses, and Changes in Net	
Position – Proprietary Funds	16
Statement of Cash Flows – Proprietary Funds	17
Statement of Fiduciary Net Position – Fiduciary Funds	18
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	19
Notes to Basic Financial Statements	20-45
<u>REQUIRED SUPPLEMENTARY INFORMATION:</u>	
Schedule of the Town's Proportionate Share of Net Pension Liability	46
Schedule of the Town's Contributions to Pension Plan	46
Schedule of Changes in Net OPEB Liability and Related Ratios	47
Schedule of OPEB Contributions	48
Schedule of Investment Returns – OPEB Plan	48
Schedule of Revenues, Expenditures and Changes in Fund Balances –	
Budget and Actual – General Fund	49
Notes to Required Supplementary Information	50
<u>OTHER REPORTS:</u>	
Report on Internal Control Over Financial Reporting and on Compliance and Other	
Matters Based on an Audit of Financial Statements Performed in	
Accordance with <i>Government Auditing Standards</i>	51-52



INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Selectmen
Town of West Newbury, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of West Newbury, Massachusetts, (the Town) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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, although not 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 our report dated September 17, 2021 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Roselli, Clark & Associates

Roselli, Clark and Associates
Certified Public Accountants
Woburn, Massachusetts
September 17, 2021

Management's Discussion and Analysis

As the management of the Town, we offer readers of the accompanying financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2021.

Financial Highlights

- The assets and deferred outflows of financial resources of the Town exceeded its liabilities and deferred inflows of financial resources at the close of the most recent fiscal year by nearly \$32.6 million (*total net position*). Nearly \$28.6 million represented net position of governmental activities and over \$4.0 million represented net position of the business-type activities.
- The government's total net position increased by nearly \$1.7 million. This was due to an increase of over \$1.3 million in governmental and over \$0.3 million in business-type activities as expenditures were lower than expectations and revenues exceeded forecast.
- The Town's Unassigned Fund Balance reported in the General Fund was almost \$5.4 million (33.4% of General Fund expenditures). Total Fund Balance in the General Fund was over \$7.3 million (45.8% of General Fund expenditures). Furthermore, reported fund balances in the Town's Community Preservation Fund, Library Trust Fund and the Combined Nonmajor Governmental Funds were approximately \$3.4 million, \$1.3 million and \$0.9 million, respectively.
- The Town's total long-term debt decreased by approximately \$0.4 million; the decrease was due to regularly scheduled maturities in both business-type and governmental funds.

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 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, deferred outflows of resources, 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 leave.)

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, community development, health and human services, culture and recreation, fringe benefits, and debt service. The business-type activities of the Town consist completely of the Town's water activities.

Fund Financial Statements - A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of 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:

- Restricted - amounts constrained by external parties, constitutional provision, or enabling legislation
- Committed - amounts constrained by a government 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 or in other major 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, as indicated within the table of contents.

The Town maintains a number of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, community preservation fund, and library trust fund which are considered to be major 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 – The Town maintains only one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The proprietary fund financial statements provide separate information for the water enterprise fund.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Town includes the activities of its Other Postemployment Trust Benefits Trust fund and poor and scholarship funds. 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 proportionate share of the net pension liability, contributions to pension plan, and the Town’s progress in funding its obligation to provide other postemployment benefits to its employees as well as the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the Town, the assets and deferred outflows of financial resources of the Town exceeded liabilities and deferred inflows of financial resources by approximately \$32.6 million at the close of the most recent fiscal year. The condensed statement of net position is as follows:

	Governmental activities		Business activities		Total	
			June 30			
	2021	2020	2021	2020	2021	2020
<u>Assets</u>						
Current and other assets	\$ 14,034,754	\$ 12,420,349	\$ 2,349,759	\$ 2,319,123	\$ 16,384,513	\$ 14,739,472
Capital assets, net	22,956,973	23,104,855	5,006,453	4,747,857	27,963,426	27,852,712
Total assets	36,991,727	35,525,204	7,356,212	7,066,980	44,347,939	42,592,184
<u>Deferred Outflows of Resources</u>	1,049,444	1,555,938	57,318	93,940	1,106,762	1,649,878
<u>Liabilities</u>						
Long term liabilities	7,731,087	9,160,303	2,219,589	2,366,179	9,950,676	11,526,482
Other liabilities	531,311	244,541	1,100,000	1,100,000	1,631,311	1,344,541
Total liabilities	8,262,398	9,404,844	3,319,589	3,466,179	11,581,987	12,871,023
<u>Deferred Inflows of Resources</u>	1,213,275	449,569	115,219	38,902	1,328,494	488,471
<u>Net Position</u>						
Net investment in capital assets	22,356,976	22,164,856	2,727,127	1,983,799	25,084,103	24,148,655
Restricted	5,564,524	5,068,264	-	-	5,564,524	5,068,264
Unrestricted	643,998	(6,391)	1,293,161	1,721,937	1,937,159	1,715,546
Net Position	\$ 28,565,498	\$ 27,226,729	\$ 4,020,288	\$ 3,705,736	\$ 32,585,786	\$ 30,932,465

By far the largest portion of the Town’s net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town’s investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town’s net position represents resources that are subject to external restrictions on how they may be used. *Unrestricted net position* reflects the remainder of net position; a balance of over \$1.9 million.

Condensed changes in net position data is presented as follows:

	<u>Governmental activities</u>		<u>Business activities</u>		<u>Total</u>	
			June 30			
	2021	2020	2021	2020	2021	2020
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 679,753	\$ 605,028	\$ 1,097,425	\$ 1,078,059	\$ 1,777,178	\$ 1,683,087
Operating grants and contributions	863,527	176,294	-	-	863,527	176,294
Capital grants and contributions	150,000	256,425	6,000	37,500	156,000	293,925
General revenues:						
Property taxes	15,236,382	14,410,021	-	-	15,236,382	14,410,021
Intergovernmental	214,969	368,913	-	-	214,969	368,913
Other	1,057,837	1,146,236	6,182	35,703	1,064,019	1,181,939
Total revenues	<u>18,202,468</u>	<u>16,962,917</u>	<u>1,109,607</u>	<u>1,151,262</u>	<u>19,312,075</u>	<u>18,114,179</u>
<u>Expenses</u>						
General government	1,965,830	1,987,951	-	-	1,965,830	1,987,951
Public safety	2,980,644	2,938,800	-	-	2,980,644	2,938,800
Education	8,952,568	8,416,441	-	-	8,952,568	8,416,441
Public works	1,720,110	1,703,025	-	-	1,720,110	1,703,025
Health and human services	802,518	1,063,063	-	-	802,518	1,063,063
Culture and recreation	426,129	510,210	-	-	426,129	510,210
Debt service	15,900	21,775	-	-	15,900	21,775
Water	-	-	795,055	846,662	795,055	846,662
Total expenses	<u>16,863,699</u>	<u>16,641,265</u>	<u>795,055</u>	<u>846,662</u>	<u>17,658,754</u>	<u>17,487,927</u>
Change in net position	1,338,769	321,652	314,552	304,600	1,653,321	626,252
Net position, beginning of year	<u>27,226,729</u>	<u>26,905,077</u>	<u>3,705,736</u>	<u>3,401,136</u>	<u>30,932,465</u>	<u>30,306,213</u>
Net position, end of year	<u>\$ 28,565,498</u>	<u>\$ 27,226,729</u>	<u>\$ 4,020,288</u>	<u>\$ 3,705,736</u>	<u>\$ 32,585,786</u>	<u>\$ 30,932,465</u>

Governmental Activities - The Town relies significantly on property taxes, which, during 2021, made up approximately 83.7% of total governmental activities revenues, an increase of \$0.8 million over the prior year. In Massachusetts, Town's cannot increase property taxes more than 2.5% of the prior year commitment, plus new growth and voted operating and debt exclusions; so, this increase met the statutory amount expected that was raised on the Town certified tax recap. All other revenue amounts were either consistent with the prior year or not material in amount.

Major expenses were for education which continues to be an area that the Town devotes significant resources. Education represented 53.1% of total expenses; this was consistent with the prior year amount of 50.6%. All other functional expense categories were (1) up slightly (2) flat with the prior year primarily due to a modest increase in benefits that were allocated to each function or (3) not significant.

Business-type Activities - Major revenue sources consist of revenue from water user charges which represented approximately 100% of total revenues. Water expenses represented 100% of total business-type expenses. Revenues increased by 3% over the prior year due to increased consumption. Expenses were consistent with the prior year.

Financial Analysis of the Governmental Funds

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.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance in the general fund was approximately \$5.4 million, while total fund balance reached approximately \$7.3 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 general fund expenditures. Unassigned fund balance represented approximately 33.7% of total general fund expenditures, while total fund balance represented approximately 45.8% of that same amount.

The Town's governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$12.9 million. In addition to the \$7.3 million in the general fund previously discussed, there were also restricted fund balances in the Community Preservation Fund and Library Trust Fund of approximately \$3.4 million and \$1.3 million, respectively. The fund balance of the combined Nonmajor funds was approximately \$0.9 million, most of which is restricted.

The General Fund balance increased by about \$0.7 million due to a strong operating performance. This was achieved despite the pandemic. The Town's revenues were not impacted, and operating results were leveraged by the surprisingly continued robust economy.

The Community Preservation Fund balance increased by \$0.3 million over the prior year; this was primarily due to less voted projects as compared to lower State matched revenue.

The Library Trust Fund met the criteria for presentation as a major fund in the current year. The fund's restricted fund balance increased approximately \$0.1 million as activity was minimal.

The combined Nonmajor funds increased by approximately \$0.1 million; this was mainly due to timing of revenues and expenditures as these funds are intended to net over time.

Proprietary Funds - The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the year, net position of the water fund was approximately \$4.0 million, which increased approximately \$0.3 million from the prior year. The fund experienced an uptick in revenue due to increases in consumption.

Fiduciary funds - The Town's fiduciary funds include nearly \$2.9 million for a trust established to account for the Town's other postemployment benefit activities. In addition, the Town maintains over \$0.3 million in various private purpose activities that are also accounted for within its fiduciary funds

General Fund Budgetary Highlights

There were no major differences in the final amended budget to the original budget.

A budget to actual schedule for the general fund has been provided as required supplementary information.

Capital Asset and Debt Administration

Capital Assets - The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2021, amounts to approximately \$28.0 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure, machinery and equipment and reflects a small increase from prior year, as additions approximated depreciation.

Major capital asset additions for 2021 included approximately \$0.3 million of Public Safety vehicles additions and \$0.3 million of Water projects.

Additional information on the Town capital assets can be found in Note II, subsection D.

Long-term Debt - At the end of the current fiscal year, the Town had total debt outstanding of nearly \$2.2 million; this includes approximately \$0.6 million in governmental activities and approximately \$1.6 million in business-type activities. This represented a decrease of \$0.4 million over the prior year due to regularly scheduled maturities.

The Town was assigned a bond rating of AA+ from Standard and Poor; this means its investment grade is very strong and is one level below the highest rating the agency sets.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5.0% percent of its total equalized valuation. The current debt limitation for the Town is approximately \$50.1 million, which is significantly in excess of the Town's outstanding general obligation debt.

Additional information on the Town's debt can be found Note II, Section E, F and G of this report.

Economic Factors and Next Year's Budgets and Rates

- The Town's unemployment rate remains stable, however unemployment rates throughout the Commonwealth and the Nation are near historic highs due to the layoffs imposed as part of the COVID-19 pandemic.
- The Town's real estate tax base is made up of approximately 97.6% residential real estate tax. Its commercial, industrial and personal property taxes make up the remainder of the tax base at 2.3%. 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 two and one-half percent (2 ½%) of the previous year tax levy
- The Town's housing market is robust and continues to rank at the top of the State averages.

The above items were considered when the Town developed its budget for fiscal year 2022 which was authorized by Annual Town Meeting in May 2021 and it expects to set its tax rate before December 31, 2021.

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 Town Manager, Town Hall, 381 Main Street, West Newbury, Massachusetts, 01985.

TOWN OF WEST NEWBURY, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2021

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 8,971,812	\$ 1,976,482	\$ 10,948,294
Investments	4,384,880	-	4,384,880
Receivables, net of allowance for uncollectibles:			
Property taxes	183,009	-	183,009
Departmental and other	304,185	-	304,185
Intergovernmental	78,400	-	78,400
User charges	-	360,781	360,781
Net other postemployment benefit asset	112,468	12,496	124,964
Capital assets, not being depreciated	9,453,482	2,643,594	12,097,076
Capital assets, net of accumulated depreciation	13,503,491	2,362,859	15,866,350
Total Assets	36,991,727	7,356,212	44,347,939
Deferred Outflows of Resources			
Related to other postemployment benefit liability	374,092	41,566	415,658
Related to net pension liability	675,352	57,318	732,670
Total Deferred Outflows of Resources	1,049,444	98,884	1,148,328
Liabilities			
Warrants and accounts payable	433,547	-	433,547
Accrued payroll and withholdings	34,900	-	34,900
Other liabilities	62,864	-	62,864
Bond anticipation notes payable	-	1,100,000	1,100,000
Noncurrent liabilities:			
Due within one year	370,157	52,109	422,266
Due in more than one year	7,360,930	2,167,480	9,528,410
Total Liabilities	8,262,398	3,319,589	11,581,987
Deferred Inflows of Resources			
Related to net other postemployment benefit liability	466,736	51,860	518,596
Related to net pension liability	746,539	63,359	809,898
Total Deferred Inflows of Resources	1,213,275	115,219	1,328,494
Net Position			
Net investment in capital assets	22,356,976	2,727,127	25,084,103
Restricted:			
Nonexpendable permanent funds	18,120	-	18,120
Community preservation	3,425,343	-	3,425,343
Other purposes	2,121,061	-	2,121,061
Unrestricted	643,998	1,293,161	1,937,159
Total Net Position	\$ 28,565,498	\$ 4,020,288	\$ 32,585,786

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

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
Primary government:							
<u>Governmental Activities:</u>							
General government	\$ 1,965,830	\$ 421,985	\$ 170,663	\$ -	\$ (1,373,182)		\$ (1,373,182)
Public safety	2,980,644	228,468	210,478	-	(2,541,698)		(2,541,698)
Education	8,952,568	-	-	-	(8,952,568)		(8,952,568)
Public works	1,720,110	-	150,000	150,000	(1,420,110)		(1,420,110)
Health and human services	802,518	29,300	292,524	-	(480,694)		(480,694)
Culture and recreation	426,129	-	39,862	-	(386,267)		(386,267)
Interest	15,900	-	-	-	(15,900)		(15,900)
Total Governmental Activities	16,863,699	679,753	863,527	150,000	(15,170,419)		(15,170,419)
<u>Business-Type Activities:</u>							
Water	795,055	1,097,425	-	6,000	-	\$ 308,370	308,370
Total Primary Government	<u>\$ 17,658,754</u>	<u>\$ 1,777,178</u>	<u>\$ 863,527</u>	<u>\$ 156,000</u>	(15,170,419)	308,370	(14,862,049)
<u>General Revenues:</u>							
Property taxes					15,236,382	-	15,236,382
Motor vehicle and other excise					815,171	-	815,171
Penalties and interest on taxes					59,004	-	59,004
Grants and contributions not restricted to specific purposes					214,969	-	214,969
Unrestricted investment income					183,662	6,182	189,844
Total general revenues and transfers					16,509,188	6,182	16,515,370
Change in Net Position					1,338,769	314,552	1,653,321
<u>Net Position:</u>							
Beginning of year					27,226,729	3,705,736	30,932,465
End of year					<u>\$ 28,565,498</u>	<u>\$ 4,020,288</u>	<u>\$ 32,585,786</u>

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

	General	Community Preservation	Library Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 4,501,703	\$ 3,479,864	\$ 197,576	\$ 792,669	\$ 8,971,812
Investments	3,314,345	-	1,070,535	-	4,384,880
Receivables, net of allowance for uncollectibles					
Property taxes	180,075	2,934	-	-	183,009
Departmental and other	291,106	1,457	-	11,622	304,185
Intergovernmental	-	-	-	78,400	78,400
Total Assets	<u>8,287,229</u>	<u>3,484,255</u>	<u>1,268,111</u>	<u>882,691</u>	<u>13,922,286</u>
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 8,287,229</u>	<u>\$ 3,484,255</u>	<u>\$ 1,268,111</u>	<u>\$ 882,691</u>	<u>\$ 13,922,286</u>
Liabilities:					
Warrants and accounts payable	\$ 379,026	\$ 54,521	\$ -	\$ -	\$ 433,547
Accrued payroll and withholdings	34,900	-	-	-	34,900
Other liabilities	62,864	-	-	-	62,864
Total Liabilities	<u>476,790</u>	<u>54,521</u>	<u>-</u>	<u>-</u>	<u>531,311</u>
Deferred Inflows of Resources:					
Unavailable revenues - property taxes	180,075	2,934	-	-	183,009
Unavailable revenues - other	291,106	1,457	-	11,622	304,185
Total Deferred Inflows of Resources	<u>471,181</u>	<u>4,391</u>	<u>-</u>	<u>11,622</u>	<u>487,194</u>
Fund Balances:					
Nonspendable	-	-	7,500	10,620	18,120
Restricted	38,316	3,425,343	1,260,611	922,888	5,647,158
Committed	1,077,867	-	-	-	1,077,867
Assigned	831,155	-	-	-	831,155
Unassigned	5,391,920	-	-	(62,439)	5,329,481
Total Fund Balances	<u>7,339,258</u>	<u>3,425,343</u>	<u>1,268,111</u>	<u>871,069</u>	<u>12,903,781</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 8,287,229</u>	<u>\$ 3,484,255</u>	<u>\$ 1,268,111</u>	<u>\$ 882,691</u>	<u>\$ 13,922,286</u>

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

Total Governmental Fund Balances	\$ 12,903,781
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	22,956,973
The Town has a net asset related to other postemployment benefits. This long-term asset is not reported in the fund financial statements	112,468
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.	487,194
Deferred outflows and inflows of resources to be recognized in future pension and OPEB expense are not available resources and, therefore, are not reported in the funds:	
Deferred outflows related to net pension liability	675,352
Deferred inflows related to net pension liability	(746,539)
Deferred outflows related to net other postemployment benefits liability	374,092
Deferred inflows related to net other postemployment benefits liability	(466,736)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the government funds:	
Bonds and notes payable	(641,454)
Net pension liability	(6,980,045)
Compensated absences	(109,588)
Net Position of Governmental Activities	<u>\$ 28,565,498</u>

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021**

	General	Community Preservation	Library Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 14,885,002	\$ 358,207	\$ -	\$ -	\$ 15,243,209
Intergovernmental	380,025	224,429	-	457,392	1,061,846
Excise taxes	815,171	-	-	-	815,171
License and permits	233,413	-	-	-	233,413
Departmental and other revenue	245,593	1,775	-	135,106	382,474
Penalties and interest on taxes	59,004	-	-	-	59,004
Fines and forfeitures	9,070	-	-	-	9,070
Investment income	34,137	8,525	140,639	361	183,662
Contributions and donations	-	-	-	166,650	166,650
Total Revenues	<u>16,661,415</u>	<u>592,936</u>	<u>140,639</u>	<u>759,509</u>	<u>18,154,499</u>
Expenditures:					
Current:					
General government	1,155,298	289,263	-	133,550	1,578,111
Public safety	2,104,573	-	-	200,553	2,305,126
Education	8,828,300	-	-	-	8,828,300
Public works	1,280,561	-	-	176,926	1,457,487
Health and human services	702,783	-	-	93,642	796,425
Culture and recreation	378,732	10,322	13,000	31,642	433,696
Pension and other fringe benefits	1,128,259	-	-	-	1,128,259
State and county tax assessments	82,578	-	-	-	82,578
Debt service:					
Principal	340,000	-	-	21,413	361,413
Interest	15,900	-	-	-	15,900
Total Expenditures	<u>16,016,984</u>	<u>299,585</u>	<u>13,000</u>	<u>657,726</u>	<u>16,987,295</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	644,431	293,351	127,639	101,783	1,167,204
Other Financing Sources (Uses):					
Transfers in	30,749	-	-	4,236	34,985
Transfers out	(4,236)	-	-	(30,749)	(34,985)
Total Other Financing Sources (Uses)	<u>26,513</u>	<u>-</u>	<u>-</u>	<u>(26,513)</u>	<u>-</u>
Net Change in Fund Balances	670,944	293,351	127,639	75,270	1,167,204
Fund Balances - Beginning	<u>6,668,314</u>	<u>3,131,992</u>	<u>1,140,472</u>	<u>795,799</u>	<u>11,736,577</u>
Fund Balances - Ending	<u>\$ 7,339,258</u>	<u>\$ 3,425,343</u>	<u>\$ 1,268,111</u>	<u>\$ 871,069</u>	<u>\$ 12,903,781</u>

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

	<u>Total</u>
Net Change in Fund Balances - Total Governmental Fund Balances	\$ 1,167,204
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The net amounts are reflected here as reconciling items:</p>	
Capital outlays	\$ 617,474
Depreciation expense	<u>(765,356)</u>
Net effect of reporting capital assets	(147,882)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither has any effect on Net Position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas these amounts are amortized in the Statement of Activities. The net amount presented here as a reconciling item represents the following differences:</p>	
Repayments of debt	<u>361,413</u>
Net effect of reporting long-term debt	361,413
<p>Revenues in the Statement of Activities that do not provide current financial are reported as unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue of various types of accounts receivable differ between the two statements. The amount presented represents the difference in unavailable revenue.</p>	
	47,969
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:</p>	
Compensated absences	11,467
Other postemployment benefits	(12,646)
Pension benefits	<u>(88,756)</u>
Net effect of reporting long-term liabilities	<u>(89,935)</u>
Change in Net Position of Governmental Activities	\$ <u>1,338,769</u>

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

JUNE 30, 2021

	Business-type Activities Enterprise fund Water
Assets:	
Current assets:	
Cash and cash equivalents	\$ 1,976,482
User fees receivable	360,781
Total current assets	2,337,263
Noncurrent assets:	
Net other postemployment benefit asset	12,496
Capital assets, not being depreciated	2,643,594
Capital assets, net of accumulated depreciation	2,362,859
Total noncurrent assets	5,018,949
Total Assets	7,356,212
Deferred Outflows of Resources	
Related to net other postemployment benefit liability	41,566
Related to net pension liability	57,318
Total Deferred Outflows of Resources	98,884
Liabilities:	
Current liabilities:	
Bond anticipation notes payable	1,100,000
Bonds and notes payable	47,029
Compensated absences	5,080
Total current liabilities	1,152,109
Noncurrent liabilities:	
Bonds and notes payable	1,570,000
Compensated absences	5,079
Net pension liability	592,401
Total noncurrent liabilities	2,167,480
Total Liabilities	3,319,589
Deferred Inflows of Resources	
Related to net other postemployment benefit liability	51,860
Related to net pension liability	63,359
Total Deferred Inflows of Resources	115,219
Net Position:	
Net investment in capital assets	2,727,127
Unrestricted	1,293,161
Total Net Position	\$ 4,020,288

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION**

PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2021

	Business-type Activities Enterprise Fund Water
Operating Revenues:	
Charges for services	\$ 977,466
Other	119,959
Total Operating Revenues	<u>1,097,425</u>
Operating Expenses:	
Operating costs	626,467
Depreciation	<u>101,947</u>
Total Operating Expenses	<u>728,414</u>
Operating Income (Loss)	<u>369,011</u>
Nonoperating Revenues (Expenses):	
Investment income	6,182
Investment expense	<u>(66,641)</u>
Total Nonoperating Revenues (Expenses)	<u>(60,459)</u>
Income (Loss) Before Capital Contributions and Transfers	308,552
Capital Contributions:	
System development fees	<u>6,000</u>
Change in Net Position	<u>314,552</u>
 Total Net Position - Beginning	 <u>3,705,736</u>
Total Net Position - Ending	<u><u>\$ 4,020,288</u></u>

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

**STATEMENT OF CASH FLOW
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021**

	Business-type Activities Enterprise Fund Water
Cash Flows From Operating Activities:	
Receipts from users	\$ 1,217,510
Payments to employees	(221,029)
Payments to vendors	(441,179)
Net Cash Provided by Operating Activities	555,302
Cash Flows from Capital and Related Financing Activities	
System development fees	6,000
Acquisition and construction of capital assets	(360,542)
Issuance of bonds and notes	1,100,000
Payment of bonds and notes	(1,100,000)
Principal payments on bonds and notes	(47,029)
Interest expense	(66,641)
Net Cash (Used for) Capital and Related Financing Activities	(468,212)
Cash flows from Investing Activities	
Investment income	6,182
Net Cash Provided by Investing Activities	6,182
Net Change in Cash and Cash Equivalents	93,272
Cash and Cash Equivalents:	
Beginning of year	1,883,210
End of year	\$ 1,976,482
Reconciliation of Operating Income to Net Cash Provided	
By (Used for) Operating Activities:	
Operating loss	\$ 369,011
Depreciation expense	101,947
Changes in assets, deferred inflows, and liabilities:	
Receivables (net)	75,132
Deferred outflows of resources	44,953
Net other postemployment benefit asset	(12,496)
Payables	275
Deferred inflows of resources	76,317
Net other postemployment benefit liability	(43,127)
Net pension liability	(56,710)
Net Cash Provided by (Used for) Operating Activities	\$ 555,302

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2021

	Other Postemployment Benefits Trust	Private Purpose Trust Funds
Assets:		
Cash and cash equivalents	\$ 103,117	\$ -
Certificates of Deposit	145,372	242,676
Equities	1,683,630	-
Fixed Income	575,836	-
Government securities	328,861	-
Other	18,406	-
Receivables	-	107,579
	<u>-</u>	<u>107,579</u>
Total Assets	<u>2,855,222</u>	<u>350,255</u>
Liabilities:		
Other liabilities	-	-
	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>
Net Position:		
Held in trust for other postemployment benefits	2,855,222	-
Held in trust for other purposes	-	350,255
	<u>-</u>	<u>350,255</u>
Total Net Position	<u><u>\$ 2,855,222</u></u>	<u><u>\$ 350,255</u></u>

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2021**

	Other Postemployment Benefits Trust	Private Purpose Trust Funds
Additions:		
Contributions:		
Employer	\$ 87,769	\$ -
Total contributions	87,769	-
Investment income:		
Interest and dividends	475,222	1,119
Total Additions	562,991	1,119
Deductions:		
Benefits paid	87,769	-
Health and human services	-	975
Total Deductions	87,769	975
Change in Net Position	475,222	144
Net Position - Beginning	2,380,000	350,111
Net Position - Ending	\$ 2,855,222	\$ 350,255

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

I. Summary of Significant Accounting Policies

The basic financial statements of 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 governmental entities. The following is a summary of the more significant policies and practices used by the Town:

A. Reporting Entity

The Town of West Newbury is located in Essex County and was incorporated as a town in 1819. An elected three-member Board of Selectmen governs the Town with an appointed Town Manager that enforces the policies of the Selectmen. Each Board of Selectmen member serves three-year terms. The Town provides governmental services for the territory within its boundaries, including police and fire protection, highway services, water, trash collection, street maintenance, parks and recreational facilities. Water services are funded almost entirely with user charges.

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 financial statements.

The Town is a member community of the Pentucket Regional School District that provides educational services to the three-member communities of West Newbury, Groveland and Merrimac. This joint venture assesses each community its share of operational and debt service costs based on student population and other factors. In fiscal year 2021, the Town's share of the operating, capital and debt service expenses was \$8,599,520. There is no equity interest reported in these financial statements. Complete audited financial statements can be obtained directly from the District's administrative office located at 22 Main Street, West Newbury, MA 01985. The Town also is assessed a much smaller amount from a regional vocational and technical school.

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 non-fiduciary activities of the primary government and its component units. 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 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 funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

- 1) The total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least ten percent of the corresponding element for all funds of that category or type, and
- 2) The total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding elements for all governmental and enterprise funds combined.

Additionally, 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*. Under this method, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the 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 revenue*. For the most part, the effect of 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 interest on general long-term debt which is recognized when payment is 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 considers property tax revenues to be available if they are collected within 60 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 funds received in accordance with the state Community Preservation Act. Funds are used to acquire or develop open space and recreational facilities, historic resources and affordable housing.

Library Trust Fund – 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 Town’s public library.

The *Nonmajor Governmental Funds* consist of other special revenue, capital projects 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 (other than capital projects funds) that are restricted or committed to expenditures for specified purposes.

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 *non-operating* 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 government reports the following major proprietary fund:

Water Enterprise Fund - is used to account for user charges collected to finance costs associated with operating and maintaining the Town’s water utility.

Fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Fiduciary funds are used to account for assets held in a trustee capacity for others that may not be used for governmental programs.

The government reports the following fiduciary funds:

Other Postemployment Benefits Trust Fund – is used to accumulate funds for future payments of other post-employment benefits for retirees such as health and life insurance.

Private-Purpose Funds – is used to account for trust arrangements under which principal and income benefit individuals, private organizations or other governments. This fund is used for educational scholarships and needy citizen benefit funds.

Agency Fund – is used to account for assets held in a purely custodial capacity. This fund is primarily used for employee payroll withholdings, private public safety details, student activity funds and developer escrow funds. Agency funds apply the accrual basis of accounting but do not have a measurement focus.

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

Investments for the Town are reported at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of its investments is recognized as an increase or decrease to investment assets and investment income.

Receivables – Real estate and personal property taxes are assessed on January 1 every year. Bills are sent quarterly and are due on August 1, November 1, February 1, and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes at the rate of 14% per annum. Property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate taxes and water user fees may be secured through a lien process within 60 days after the due date 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 are 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 (e.g. roads, sidewalks, and similar items), 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 are recorded at the estimated fair market value at the date of donation. Net interest incurred during the construction phase of capital assets of business-type activities, if material is included as part of the capitalized value of the assets constructed.

All purchases and construction costs in excess of \$5,000 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-process) are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	40 years
Machinery, equipment, and vehicles	2-12 years
Infrastructure	60 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 – 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 permanent funds is retained in the funds. Investment income of the proprietary funds is voluntarily assigned to the general fund.

Compensated Absences – It is the Town’s policy to not permit employees to accumulate earned but unused vacation benefits beyond their annual contract date, which falls on June 30. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting the payroll and related expenditures. Amounts related to these benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in Governmental Funds only if they have matured.

Long-term Obligations – Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bond anticipation notes payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, the face amount of long-term debt issued is reported as other financing sources. 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.

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 only has two types of items that qualify for reporting as deferred outflows of resources reported on the government-wide statement of net position that relates to outflows from changes

in the net pension and net other postemployment benefits liabilities. These outflows will be recognized in pension and benefits expense in future years.

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 has three types of items which qualify for reporting in this category. The first arises under a modified accrual basis of accounting and, accordingly, the item *unavailable revenue* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and other. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second type of item that qualifies for reporting as a deferred inflow is reported on the government-wide statement of net position. This relates to inflows from changes in the net pension and net other postemployment benefits liabilities which will be recognized in pension and benefits expense in future years.

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

Community preservation represents assets that are restricted by state law for the purposes of acquiring or developing open space and recreational facilities, historic resources and affordable housing.

Other purposes represent assets that are restricted by grantors, donors and state laws for specific governmental programs and uses.

Fund Equity – In the fund financial statements, fund balance for governmental funds is reported in 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.

Stabilization Funds – The Town maintains a general stabilization fund which may be used for any municipal purpose upon a two-thirds vote of the Town Meeting. The balance of the fund totals \$3,447,566, at June 30, 2021 and is reported as unassigned fund balance in the General Fund.

The Town maintains a water stabilization fund which may be used for any water enterprise purpose upon a two-thirds vote of the Town Meeting. The balance of the fund totals \$16,719 at June 30, 2021 and is reported as unrestricted net position in the Water Enterprise Fund.

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) 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 constraints imposed by formal action of the Town's highest level of decision-making authority, which consists of the Town Meeting members through Town Meeting Votes. Those committed amounts cannot be used for any other purpose unless the Town Meeting removes or changes the specified use by taking the same type of action (through Town Meeting Votes) it employed previously to commit those amounts.

Assigned represents amounts that are constrained by the Town's intent to be used for specific purposes but are neither restricted nor committed. The Town has by ordinance authorized the Town Administrator to assign fund balance. The Town Meeting may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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.

The Town has not established financial policies with respect to maintaining minimum fund balance amounts.

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 Administrator as assigned, and (2) classify encumbrances that result from an action of the Town Meeting 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 \$39,894 of encumbrances from normal purchasing activity in the general fund as assigned and \$1,077,867 of encumbrances from Town Meeting votes in the General Fund as committed. There are no encumbrances reported in any other fund.

The following table reflects the Town's fund equity categorizations:

	General Fund	Community Preservation Act Fund	Library Trust Fund	Nonmajor Governmental Funds	Total
Nonspendable:					
Nonexpendable trust funds	\$ -	\$ -	\$ 7,500	\$ 10,620	\$ 18,120
Restricted:					
General government	-	-	-	515,099	515,099
Public safety	-	-	-	30,926	30,926
Public works	-	-	-	4,756	4,756
Health and human services	-	-	-	88,922	88,922
Culture and recreation	-	-	1,260,611	176,778	1,437,389
Community preservation	-	3,425,343	-	-	3,425,343
Municipal buildings	38,316	-	-	-	38,316
Other purposes	-	-	-	106,407	106,407
Committed:					
General government	224,548	-	-	-	224,548
Public safety	160,188	-	-	-	160,188
Public works	693,131	-	-	-	693,131
Assigned:					
General government	30,491	-	-	-	30,491
Public safety	2,762	-	-	-	2,762
Public works	3,000	-	-	-	3,000
Health and human services	3,263	-	-	-	3,263
Fringe Benefits	378	-	-	-	378
Subsequent years' budget	791,261	-	-	-	791,261
Unassigned	5,391,920	-	-	(62,439)	5,329,481
	<u>\$ 7,339,258</u>	<u>\$ 3,425,343</u>	<u>\$ 1,268,111</u>	<u>\$ 871,069</u>	<u>\$ 12,903,781</u>

E. Excess of Expenditures Over Appropriations and Deficits

During Fiscal Year 2021, the Town incurred no deficits.

F. 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 that 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 pre-approved investment instruments which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and State Treasurer's investment pool ("the Pool"). In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation. During the fiscal year, the Town did not enter into any repurchase agreements.

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. The Town's deposit policy requires the Town to maintain no more than 25% of the Town's cash balance in any one institution. At year-end, the carrying amount of the Town's deposits was \$11,051,412 and the bank balance was \$11,264,895. Of the Town's bank balance, \$5,411,798 was covered by either federal depository insurance or by the depositors' insurance fund, \$3,722,786 was collateralized and \$1,363,979 was uninsured and uncollateralized.

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. The Town's formal policy requires that investments in corporate bonds must be investment grade A or higher by Moody's or Standard and Poor.

United States governmental obligations totaling \$2,213,911, corporate bond holdings totaling \$1,434,120, and equity securities totaling \$2,500,748 are exposed to custodial credit risk because the related securities are uninsured, unregistered and are held by the counterparty.

Fair Value of Investments – The Town reports its 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.

The following table presents the Town's investments carried at fair value on a recurring basis in the statement of net position at June 30, 2021:

	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities:				
U.S. Government obligations	\$ 2,213,911	\$ 2,213,911	\$ -	\$ -
Corporate bonds	1,434,120	-	1,434,120	-
Negotiable certificates of deposit	1,212,476	-	1,212,476	-
Total debt securities	4,860,507	2,213,911	2,646,596	-
Equity securities:				
Common stock	2,500,748	2,500,748	-	-
Exchange traded funds	18,406	18,406	-	-
Total equity securities	2,519,154	2,519,154	-	-
Total investments by fair value level	\$ 7,379,661	\$ 4,733,065	\$ 2,646,596	\$ -

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Negotiable certificates of deposit and repurchase agreements are classified in Level 2 and are valued using matrix pricing based on the securities' relationship to benchmark quoted prices. Bond mutual funds are classified in Level 2 and are valued at the published fair value per share for each fund.

Interest Rate Risk: Investments – Debt securities are subject to interest rate risk. Such securities may be adversely affected by changes in interest rates, which may negatively affect the fair value of individual debt instruments, through fair value losses arising from increasing interest rates. The Town does not have formal investment policies that limit investment maturities as a way of managing its exposure to fair value losses arising from rising interest rates.

At June 30, 2021, the Town's investments had the following maturities:

Investments	Total	Time Until Maturity (Years)		
		<1	1 - 5	6 - 10 Years
U.S. Government obligations	\$ 2,213,911	\$ 253,105	\$ 1,542,582	\$ 418,224
Corporate bonds	1,434,120	523,730	795,392	114,998
Negotiable certificates of deposit	1,212,476	200,079	1,012,397	-
Total Town Investments with Maturities	\$ 4,860,507	\$ 976,914	\$ 3,350,371	\$ 533,222

Concentration of Credit Risk – The Town places a limit of 25% of its total investments on the amount that may be invested in any one issuer excluding Treasury securities. The Town does not maintain balances in any single investment that exceeds more than 25% of the Town's total investments

Risk – The Town has not adopted a formal policy related to credit risk.

At June 30, 2021, the credit quality ratings of the Town's investments were as follows:

Bond Ratings	Investments		
	Government Obligations	Corporate Fixed Income	Certificate of Deposit
Aaa	\$ 2,213,911	\$ -	\$ -
Aa1	-	184,407	-
Aa2	-	51,480	-
Aa3	-	172,789	-
A1	-	268,090	-
A2	-	267,249	-
A3	-	240,492	-
Baa1	-	143,126	-
Baa2	-	78,987	-
Baa3	-	27,500	-
Not rated	-	-	1,212,476
	<u>\$ 2,213,911</u>	<u>\$ 1,434,120</u>	<u>\$ 1,212,476</u>

B. Receivables

Receivables as of year-end for the Town's individual major and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Real estate and personal property taxes	\$ 180,075	\$ -	\$ 180,075
Tax liens, deferrals, and foreclosures	157,300	-	157,300
Excise	123,009	-	123,009
Other	12,255	-	12,255
Community preservation surcharges	2,933	-	2,933
Title V betterments	11,622	-	11,622
Intergovernmental	78,400	-	78,400
Total	<u>\$ 565,594</u>	<u>\$ -</u>	<u>\$ 565,594</u>

Receivables as of year-end for the Town's proprietary fund are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Water user fees	<u>\$ 373,277</u>	<u>\$ -</u>	<u>\$ 373,277</u>

Governmental funds report deferred inflows of resources in connection with receivable for revenues that are considered unavailable to liquidate liabilities of the current period. The following identifies the components of deferred inflows of resources in the governmental funds:

	General Fund	Other Governmental Funds	Total
Receivables type:			
Real estate and personal property taxes	\$ 180,075	\$ -	\$ 180,075
Tax liens, deferrals, and foreclosures	155,842	-	155,842
Excise	123,009	-	123,009
Other	12,255	-	12,255
Community preservation surcharges	-	4,391	4,391
Title V betterments	-	11,622	11,622
Total	<u>\$ 471,181</u>	<u>\$ 16,013</u>	<u>\$ 487,194</u>

C. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2021, are summarized as follows:

Transfers Out	Transfers In			Total
	General Fund	Nonmajor Governmental Funds	Trust Funds	
General Fund	\$ -	\$ 3,948	\$ 288	\$ 4,236 (1)
Nonmajor Governmental Funds	30,749	-	-	30,749 (2)
Total	<u>\$ 30,749</u>	<u>\$ 3,948</u>	<u>\$ 288</u>	<u>\$ 34,985</u>

(1) Transfers to nonmajor governmental and trust funds to cover grant programs

(2) Transfers to general funds to cover grant programs

D. Capital Assets

Capital assets for the year ended June 30, 2021, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 9,453,482	\$ -	\$ -	\$ 9,453,482
Construction in progress	-	66,304	-	66,304
Total capital assets not being depreciated	9,453,482	66,304	-	9,519,786
Capital assets being depreciated:				
Buildings	14,155,260	-	-	14,155,260
Improvements other than buildings	1,716,172	-	-	1,716,172
Infrastructure	9,191,439	188,536	-	9,379,975
Machinery and equipment	1,364,357	50,367	(119,356)	1,295,368
Vehicles	2,751,017	312,267	(111,400)	2,951,884
Total capital assets being depreciated	29,178,245	551,170	(230,756)	29,498,659
Less accumulated depreciation for:				
Buildings	(7,678,598)	(355,509)	-	(8,034,107)
Improvements other than buildings	(1,421,223)	(19,242)	-	(1,440,465)
Infrastructure	(3,187,657)	(166,992)	-	(3,354,649)
Machinery and equipment	(788,709)	(80,335)	119,356	(749,688)
Vehicles	(2,450,685)	(143,277)	111,400	(2,482,562)
Total accumulated depreciation	(15,526,872)	(765,355)	230,756	(16,061,471)
Total capital assets being depreciated, net	13,651,373	(214,185)	-	13,437,188
Governmental activities capital assets, net	<u>\$ 23,104,855</u>	<u>\$ (147,881)</u>	<u>\$ -</u>	<u>\$ 22,956,974</u>
<u>Business Activities - Water:</u>				
Capital assets not being depreciated:				
Land	\$ 395,662	\$ -	\$ -	\$ 395,662
Construction in process	2,381,910	360,543	(494,521)	2,247,932
Total capital assets not being depreciated	2,777,572	360,543	(494,521)	2,643,594
Capital assets being depreciated:				
Infrastructure	4,924,077	494,521	-	5,418,598
Improvement other than buildings	5,570	-	-	5,570
Machinery and equipment	139,974	-	(1,650)	138,324
Vehicles	75,522	-	-	75,522
Total capital assets being depreciated	5,145,143	494,521	(1,650)	5,638,014
Less accumulated depreciation for:				
Infrastructure	(3,008,290)	(86,583)	-	(3,094,873)
Improvement other than buildings	(5,571)	-	-	(5,571)
Machinery and equipment	(99,928)	(5,728)	1,650	(104,006)
Vehicles	(61,069)	(9,636)	-	(70,705)
Total accumulated depreciation	(3,174,858)	(101,947)	1,650	(3,275,155)
Total capital assets being depreciated, net	1,970,285	392,574	-	2,362,859
Business activities capital assets, net	<u>\$ 4,747,857</u>	<u>\$ 753,117</u>	<u>\$ (494,521)</u>	<u>\$ 5,006,453</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:		Business-Type Activities:	
General government	\$ 112,634	Water	<u>\$ 101,947</u>
Public safety	197,101		
Education	135,151		
Public works	294,589		
Culture and recreation	25,880		
	<u>\$ 765,355</u>		

E. Temporary Debt

The Town is authorized to borrow on a temporary basis to fund the following:

Current Operating Costs – Prior to the collection of revenues, expenditures may be financed through the issuance of revenue (RANS) or tax anticipation notes (TANS).

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS). In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount.

Temporary notes are general obligations of the Town and carry maturity dates that are limited by state law. Interest expenditures and expenses for temporary debt are accounted for in the general fund and enterprise funds, respectively.

The Town reported temporary debt activity during the current fiscal year as follows:

Type	Interest Rate	Maturity Date	July 1, 2020	Additions	Retirements	June 30, 2021
Business-type Activities - Water:						
BAN	1.75%	7/17/2020	\$ 1,100,000		\$ (1,100,000)	\$ -
BAN	2.00%	7/15/2021	-	1,100,000	-	1,100,000
Total Notes Payable			<u>\$ 1,100,000</u>	<u>\$ 1,100,000</u>	<u>\$ (1,100,000)</u>	<u>\$ 1,100,000</u>

F. Long-Term Obligations

The Town issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes have been issued for both governmental and business-type activities. Additionally, the Town incurs various other long-term obligations relative to associated personnel costs.

State law permits the Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5.0 percent of its equalized valuation. Debt issued in accordance with this section of the law is designated as being “inside the debt limit.” In addition, the Town

may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being “outside the debt limit”.

The following reflects the current year activity in the long-term liability accounts:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
<u>Governmental Activities:</u>					
Bond and note indebtedness	\$ 940,000	\$ -	\$ (340,000)	\$ 600,000	\$ 305,000
Notes from direct borrowings and placements	62,866	-	(21,413)	41,453	10,363
Compensated absences	121,055	49,062	(60,528)	109,589	54,795
Net pension liability	7,648,236	1,443,073	(2,111,264)	6,980,045	-
Total Governmental Activities	<u>\$ 8,772,157</u>	<u>\$ 1,492,135</u>	<u>\$ (2,533,205)</u>	<u>\$ 7,731,087</u>	<u>\$ 370,158</u>
<u>Business-type Activities: Water</u>					
Bond and note indebtedness	\$ 1,640,000	\$ -	\$ (35,000)	\$ 1,605,000	\$ 35,000
Notes from direct borrowings and placements	24,058	-	(12,029)	12,029	12,029
Compensated absences	9,884	5,199	(4,924)	10,159	5,080
Net pension liability	649,111	122,474	(179,184)	592,401	-
Total Business-type Activities: Water	<u>\$ 2,323,053</u>	<u>\$ 127,673</u>	<u>\$ (231,137)</u>	<u>\$ 2,219,589</u>	<u>\$ 52,109</u>

The governmental activities liabilities will be liquidated by the general fund. The business-type activities liabilities will be liquidated by the water enterprise fund. The following is a summary of long-term debt and future year maturities as of June 30, 2021:

Description of Issue	Maturing Year	Interest Rate	Beginning Balance	Additions	Maturities	Ending Balance
<u>Governmental Activities:</u>						
General obligation bonds	2025	2.00 - 4.00%	\$ 940,000	\$ -	\$ (340,000)	\$ 600,000
MCWT notes (Title V)	2024	0.00 - 5.25%	62,866	-	(21,413)	41,453
Total Governmental Bond and Note Indebtedness			<u>1,002,866</u>	<u>-</u>	<u>(361,413)</u>	<u>641,453</u>
<u>Business-type Activities - Water:</u>						
FHA loan	2022	5.00%	24,058	-	(12,029)	12,029
General obligation bonds	2048	3.00 - 5.00%	1,640,000	-	(35,000)	1,605,000
Total Water Bond and Note Indebtedness			<u>1,664,058</u>	<u>-</u>	<u>(47,029)</u>	<u>1,617,029</u>
Total Long-Term Bond and Note Indebtedness - All			<u>\$ 2,666,924</u>	<u>\$ -</u>	<u>\$ (408,442)</u>	<u>\$ 2,258,482</u>

Year Ending <u>June 30,</u>	Governmental Activities - Total Bond and Note Indebtedness			
	Principal		Interest	
	GO Bonds	Direct	GO Bonds	Direct
2022	\$ 305,000	\$ 10,363	\$ 8,950	\$ -
2023	295,000	10,364	2,950	-
2024	-	10,364	-	-
2025	-	10,362	-	-
Total	<u>\$ 600,000</u>	<u>\$ 41,453</u>	<u>\$ 11,900</u>	<u>\$ -</u>

Year Ending <u>June 30,</u>	Business-type Activities: Water - Total Bond and Note Indebtedness			
	Principal		Interest	
	GO Bonds	Direct	GO Bonds	Direct
2022	\$ 35,000	\$ 12,029	\$ 54,437	\$ 601
2023	35,000	-	52,687	-
2024	40,000	-	50,812	-
2025	40,000	-	48,812	-
2026	45,000	-	46,687	-
2027-2031	240,000	-	203,060	-
2032-2036	285,000	-	161,885	-
2037-2041	330,000	-	115,684	-
2042-2046	380,000	-	59,942	-
2047-2048	175,000	-	5,770	-
Total	<u>\$ 1,605,000</u>	<u>\$ 12,029</u>	<u>\$ 799,776</u>	<u>\$ 601</u>

Authorized and Unissued Debt – The Town’s authorized and unissued debt as of June 30, 2021:

Septic Loan	\$ 4,911
MCWT	3,100
Soldiers & Sailors Memorial Building	<u>1,250,000</u>
Total	<u>\$ 1,258,011</u>

III. Other Information

A. Retirement System

Plan Description – The Town contributes to the Essex Regional Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan established under Chapter 32 of the Commonwealth of Massachusetts General Laws (MGL) and administered by the Essex Regional Retirement Board. Stand-alone audited financial statements for the year ended December 31, 2020 were issued and may be obtained by writing to the Essex Regional Retirement System, 491 Maple Street, Suite 202, Danvers MA 01923.

Membership – Membership in the System as of December 31, 2020, was as follows:

Retired participants and beneficiaries	
receiving benefits	1,510
Inactive participants entitled to a return	
of their employee contributions	1,146
Active members	2,420
Total	<u>5,076</u>

Benefit Terms – The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund directly. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

Membership in the System is mandatory for all full-time employees and non-seasonal, part-time employees who, in general, regularly work more than twenty hours per week. Members of the System do not participate in the federal Social Security retirement system.

Massachusetts contributory retirement system benefits are uniform from retirement system to retirement system. The 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.

Contributions Requirements – The System has elected provisions of Chapter 32, Section 22D (as amended) of Massachusetts General Laws, which require that a funding schedule be established to fully fund the pension plan by June 30, 2040. Under provisions of this law, participating employers are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method.

The Town contributed \$736,589 to the System in fiscal year 2021, which was the actuarially determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll was approximately 27.0% in fiscal year 2021.

Net Pension Liability – At June 30, 2021, the Town reported a liability of \$7,572,446 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. These figures were updated by the

independent actuary as of December 31, 2020. There were no material changes made in this update to the actuarial assumptions (see below) nor were there any material changes to the System's benefit terms since the 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 System relative to the projected contributions of all employers. The Town's proportion was approximately 1.908% at December 31, 2020.

Pension Expense – The Town recognized \$832,877 in pension expense in the statement of activities in fiscal year 2021.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2021, 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 earnings	-	563,394
Changes in assumptions	506,584	-
Changes in proportion differences	225,259	-
Differences between expected and actual experience	827	6,493
Changes in proportion differences	-	240,011
	<u>\$ 732,670</u>	<u>\$ 809,898</u>

The deferred outflows of resources and deferred inflows of resources are expected to be recognized in the Town's pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2022	\$ 64,596
2023	140,115
2024	(144,424)
2025	(137,515)
Total	<u>\$ (77,228)</u>

Discount Rate – The discount rate used to measure the total pension liability was 7.30%. 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 and the member rate. 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.

Actuarial Valuation – The measurement of the System's total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2018. The significant actuarial assumptions used in the January 1, 2018 actuarial valuation included:

Investment rate of return	Full prefunding: 7.3% per year, net of investment expenses
Discount Rate	7.30%
Inflation	2.75%
Salary Increases	7.5% decreasing to 3.75% after 5 years of service
Cost of Living Adjustment	2% of first \$14,000 in 2021 and 3% of first \$14,000 thereafter
Pre-Retirement Mortality	RP-2014 Employee Mortality Table projected generationally with Scale MP 2019
Post-Retirement Mortality	RP-2014 Healthy Annuitant Mortality Table projected generationally with Scale MP 2019
Disabled Mortality	RP-2014 Healthy Annuitant Mortality Table set forward two years projected generationally with Scale MP 2019

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 real rates of return (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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocations and best estimates of arithmetic real returns for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Expected Investment Rate of Return
Domestic Equity	23.10%	6.40%
International Equity	14.40%	6.60%
International Emerging Markets	5.80%	8.40%
Core fixed income	15.80%	2.70%
High Yield Fixed Income	7.40%	6.20%
Real Estate	8.30%	6.00%
Timberland	3.30%	6.60%
Hedge Fund, GTAA, Risk Parity	8.80%	5.20%
Liquidating portfolios	0.10%	0.00%
Overlay	0.60%	0.00%
Private Equity	12.40%	10.20%
	<u>100.00%</u>	

Sensitivity Analysis – The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.30% as well as the Town’s proportionate share of the net pension liability using a discount rate that is one percentage point lower (6.30%) or one percentage point higher (8.30%) than the current rate:

	Discount Rate			
	Current Rate	1% lower	Current	1% greater
Net Pension Liability	7.30%	\$ 9,696,205	\$ 7,572,446	\$ 5,787,407

B. Risk Financing

The Town is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; 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.

The Town participates in a health insurance risk pool administered by the Southeastern Massachusetts Health Group (the Group). The Group offers a variety of premium based plans to its members with each participating governmental unit charged a premium for coverage based on rates established by the Group. In the event the Group is terminated, the Town would be obligated to pay its proportionate share of a deficit, should one exist.

C. Tax Abatements

The Town enters into property tax abatements with local businesses as an incentive for economic growth, including expansion of current facilities and job opportunities for local residents. The agreements are commonly referred to as tax increment financing, or TIF, agreements. Under Massachusetts General Law Chapter 40, Section 59, property owners may be granted property tax abatements of up to 100% of the value of a tax increment for a maximum term of twenty years provided the property is located in a TIF zone. TIF zones are approved by the Massachusetts Economic Assistance Coordinating Council. Furthermore, the Town Meeting must approve all TIF agreements.

For the fiscal year ended June 30, 2021, the Town did not abate any property taxes under this program to any property owners.

D. Other Postemployment Benefits (OPEB)

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

An employee shall become eligible to retire under this plan upon the completion of 10 years of creditable service and the attainment of age 55 as an active member or with 20 years of service regardless of age.

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 programs, and these include comprehensive medical insurance. Pre-65 retirees are provided with HMO Blue New England Plan and Post 65 retirees have Medex II.

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of June 30, 2021:

Active employees	46
Inactives currently receiving benefits	<u>20</u>
Total	<u><u>66</u></u>

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:

Investment rate of return	6.00%
Single Equivalent Discount Rate	6.00%
Inflation	2.20%
Health Care Trend Rate	7.0%; trending down to 5.4%
Pre-Retirement Mortality - General and Public Safety Employees	RP-2014 Employees Mortality Table base year 2019 projected with generational mortality improvement using Scale BB
Post-Retirement Mortality - General and Public Safety Employees	RP-2014 Healthy Annuitant Mortality Table base year 2019 projected with generational mortality improvement using Scale BB

Key Changes in Assumptions – Discount rate was lowered from 6.25% to 6.00%

Contributions – The contribution requirements of OPEB Plan members and the Town are established and may be amended by the Town. Retirees contributed 50% of the set premium for medical insurance during fiscal 2021. The remainder of the cost is funded from taxation.

The Town currently contributes enough money to the Plan to maintain over 80% funding status. The costs of administering the OPEB Plan are paid by the Town.

For the year ended June 30, 2021, the Town's average contribution rate was 3.1% of covered-employee payroll.

Net OPEB Liability – The Town's net OPEB asset was measured as of June 30, 2021 and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of July 1, 2020.

Discount Rate – The discount rate used to measure the total OPEB liability was 6.00% which was based on the long-term investment rate of return.

Long Term Expected Rate of Return – 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 weighting 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 were as reflected in the following table:

Asset Class	Target Allocation	Expected Investment Rate of Return
Cash and equivalents	2.50%	0.00%
Large cap value stocks	24.00%	5.34%
Large cap growth stocks	24.00%	5.34%
International equity	9.00%	6.10%
Emerging equity	3.00%	6.10%
Short-term fixed income	10.00%	1.62%
Intermediate fixed income	27.50%	1.62%
	<u>100.00%</u>	

Sensitivity Analyses – 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 a discount rate that is 1.0% lower or 1.0% higher than the current discount rate as well as if the healthcare cost trend rates are 1% lower or higher than the current healthcare cost trend rates:

	Discount Rate			
	Current Rate	1% lower	Current	1% greater
Net OPEB Liability (asset)	6.00%	\$ 285,126	\$ (124,964)	\$ (456,665)

	Health Care Rate			
	Current Rate	1% lower	Current	1% greater
Net OPEB Liability (asset)	7.0% trending to 4.0%	\$ (509,150)	\$ (124,964)	\$ 358,635

Changes in the Net OPEB Liability (Asset) – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2021:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balances at June 30, 2020	\$ 2,811,272	\$ 2,380,000	\$ 431,272
Changes for the year:			
Service cost	90,925	-	\$ 90,925
Interest	178,645	-	178,645
Changes in assumptions	(1,178)	-	(1,178)
Difference between expected and actual experience	(261,637)	-	(261,637)
Employer contributions	-	87,769	(87,769)
Benefit payments withdrawn from trust	-	(87,769)	87,769
Net investment income	-	475,222	(475,222)
Benefit payments	(87,769)	-	(87,769)
Net changes	(81,014)	475,222	(556,236)
Balances at June 30, 2021	<u>\$ 2,730,258</u>	<u>\$ 2,855,222</u>	<u>\$ (124,964)</u>

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2021, the Town recognized OPEB expense of \$101,821. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2021 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 307,500	\$ 1,020
Differences between actual and expected experience	92,384	226,612
Differences between expected and actual earnings	15,773	290,963
	<u>\$ 415,657</u>	<u>\$ 518,595</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:

June 30,	
2022	\$ (19,005)
2023	(3,042)
2024	3,867
2025	(23,586)
2026	(9,455)
thereafter	<u>(51,717)</u>
	<u>\$ (102,938)</u>

Net OPEB Liability/(Asset) – The components of the net OPEB liability/(asset) of the Town at June 30, 2021 were as follows:

Total OPEB Liability	\$ 2,730,258
Plan fiduciary net position	<u>(2,855,222)</u>
Net OPEB liability	<u>\$ (124,964)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	104.6%

Investment Custody – In accordance with Massachusetts General Laws, the Town Treasurer is the custodian of the OPEB Plan and since the Town has not designated a Board of Trustees, the Town Treasurer is also the Trustee and as such is responsible for the general supervision of the management, investment and reinvestment of the OPEB Plan assets. OPEB Plan assets may be invested and reinvested by the custodian consistent with the prudent investor rule established in Chapter 203C and may, with the approval of the State Retiree Benefits Trust Fund Board of Trustees, be invested in the State Retiree Benefits Trust Fund established in Section 24 of Chapter 32A. OPEB Plan assets must be segregated from other funds and not be subject to the claims of any general creditor of the Town.

Investment Policy – The OPEB Plan follows the same investment policies that apply to all other Town Trust funds. Notably it can be invested in accordance with State Statutes that govern Trust investments including PRIM which is an external investment pool managed by the State.

Investment Rate of Return – For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 19.96%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

- E. Commitments and Contingencies** – 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, if any, at June 30, 2021, cannot be ascertained, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2021.

Amounts received or receivable 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 amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

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 amount of penalties, if any, cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

F. Implementation of New GASB Pronouncements

Current Year Implementations

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of the Statement was to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The provisions of this Statement became effective for the Town in fiscal year 2021. In connection with the adoption of this accounting standard, certain previously reported agency balances are now reported in the governmental funds and government-wide financial statements. Refer to Note V for the financial impact of the adoption of this accounting standard.

In August 2018, the GASB issued GASB Statement No. 90, *Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61*. The objective of this Statement was to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The provisions of this Statement became effective for the Town in fiscal year 2021. The adoption of this standard did not have an impact on the Town's financial statements.

In March 2020, the GASB issued GASB Statement No. 93, *Replacement of Interbank Offered Rates*. In addition to accounting and financial reporting implications that result from the replacement of an interbank offered rate (which become effective in fiscal year 2022), this Statement eliminated the use of LIBOR as an appropriate benchmark interest rate for derivative

instruments that hedge interest rate risk of taxable debt for reporting periods effective fiscal year 2021. The adoption of this standard did not have an impact on the Town's financial statements.

Future Year Implementations

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefines the manner in which long-term leases are accounted and reported. As amended, the provisions of this Statement are effective for financial reporting periods beginning after June 15, 2021 (fiscal year 2022). The Town is currently evaluating whether adoption will have a material impact on the 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 establishes accounting requirements for interest costs incurred before the end of a construction period. As amended, the provisions of this Statement are effective for financial reporting periods beginning after December 15, 2020 (fiscal year 2022). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

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. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate. The reporting provisions of this Statement are effective for financial reporting periods beginning after June 15, 2020 (fiscal year 2022). 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 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 is 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 are effective for financial reporting periods beginning after June 15, 2021 (fiscal year 2022). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

V. Restatement

The adoption of GASB Statement No. 84 required certain accounts previously reported as agency accounts in the Statement of Fiduciary Activities to be reclassified into nonmajor governmental funds

TOWN OF WEST NEWBURY, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2021
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY*(dollar amounts are in thousands)*

	Year Ended June 30,						
	2021	2020	2019	2018	2017	2016	2015
Town's proportion of the net pension liability (asset)	1.908%	1.969%	1.969%	1.823%	1.888%	1.853%	1.906%
Town's proportionate share of the net pension liability (asset)	\$ 7,572	\$ 8,297	\$ 8,316	\$ 6,835	\$ 7,274	\$ 6,733	\$ 6,466
Town's covered-employee payroll	\$ 2,733	\$ 2,630	\$ 2,598	\$ 2,495	\$ 2,205	\$ 2,379	\$ 2,288
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	277.1%	315.5%	320.1%	273.9%	329.9%	283.0%	282.6%
Plan fiduciary net position as a percentage of the total pension liability	55.5%	55.5%	51.9%	55.4%	51.1%	51.0%	52.3%

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

	Year Ended June 30,						
	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 737	\$ 707	\$ 687	\$ 594	\$ 572	\$ 656	\$ 509
Contributions in relation to the actuarially determined contribution	<u>737</u>	<u>707</u>	<u>687</u>	<u>594</u>	<u>572</u>	<u>656</u>	<u>509</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 2,733	\$ 2,630	\$ 2,598	\$ 2,495	\$ 2,205	\$ 2,379	\$ 2,288
Contributions as a percentage of covered-employee payroll	27.0%	26.9%	26.4%	23.8%	25.9%	27.6%	22.2%

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

See accompanying independent auditors' report.

TOWN OF WEST NEWBURY, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
YEAR ENDED JUNE 30, 2021**

**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS**

	June 30				
	2021	2020	2019	2018	2017
Total OPEB liability:					
Service cost	\$ 90,925	\$ 76,045	\$ 58,719	\$ 57,287	\$ 55,931
Interest	178,645	172,364	137,033	129,610	126,392
Difference between expected and actual experience	(261,637)	-	169,157	-	-
Changes in assumptions	(1,178)	278,802	207,010	-	-
Other	-	(56,374)	-	-	(58,609)
Benefit payments	(87,769)	(91,712)	(77,336)	(85,824)	(73,798)
Net change in total OPEB liability	(81,014)	379,125	494,583	101,073	49,916
Total OPEB liability - beginning of year	2,811,272	2,432,147	1,937,564	1,836,491	1,786,575
Total OPEB liability - end of year (a)	<u>\$ 2,730,258</u>	<u>\$ 2,811,272</u>	<u>\$ 2,432,147</u>	<u>\$ 1,937,564</u>	<u>\$ 1,836,491</u>
Plan fiduciary net position:					
Contributions - employer	\$ 87,769	\$ 91,712	\$ 77,336	\$ 85,824	\$ 73,798
Net investment income	475,222	131,132	179,419	209,981	133,214
Benefit payments	(87,769)	(91,712)	(77,336)	(85,824)	(73,798)
Net change in Plan fiduciary net position	475,222	131,132	179,419	209,981	133,214
Plan fiduciary net position - beginning of year	2,380,000	2,248,868	2,069,449	1,859,468	1,726,254
Plan fiduciary net position - end of year (b)	<u>\$ 2,855,222</u>	<u>\$ 2,380,000</u>	<u>\$ 2,248,868</u>	<u>\$ 2,069,449</u>	<u>\$ 1,859,468</u>
Net OPEB liability (asset) - end of year (a) - (b)	<u>\$ (124,964)</u>	<u>\$ 431,272</u>	<u>\$ 183,279</u>	<u>\$ (131,885)</u>	<u>\$ (22,977)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	104.58%	84.66%	92.46%	106.81%	101.25%
Covered-employee payroll	\$ 2,835,247	\$ 2,695,931	\$ 2,625,945	\$ 2,661,029	\$ 2,596,126
Net OPEB liability/(asset) as a percentage of covered-employee payroll	-4.41%	16.00%	6.98%	-4.96%	-0.89%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

See independent auditors' report.

TOWN OF WEST NEWBURY, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
YEAR ENDED JUNE 30, 2021

SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS

	June 30				
	2021	2020	2019	2018	2017
Actuarially-determined contribution	\$ 118,387	\$ 91,529	\$ -	\$ 59,869	\$ 121,807
Contributions in relation to the actuarially-determined contribution	(87,769)	(91,712)	(77,336)	(85,824)	(121,807)
Contribution deficiency (excess)	\$ 30,618	\$ (183)	\$ (77,336)	\$ (25,955)	\$ -
Covered-employee payroll	\$ 2,835,247	\$ 2,695,931	\$ 2,625,945	\$ 2,661,029	\$ 2,596,126
Contribution as a percentage of covered-employee payroll	3.10%	3.40%	2.95%	3.23%	4.69%
Valuation Date	July 1, 2020				
Amortization Period	30 years				
Investment rate of return	6.00%				
Single Equivalent Discount Rate	6.00%				
Actuarial Cost Method	Individual Entry Age Normal				
Asset Valuation Method	Market Value of Assets as of Reporting Date				

SCHEDULE OF INVESTMENT RETURNS
LAST 10 FISCAL YEARS

	June 30				
	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of	19.97%	5.83%	8.67%	11.79%	7.43%

Note: These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

See independent auditors' report.

TOWN OF WEST NEWBURY, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Encumbrances	Actual	Variance
	Original	Final	Budgetary	and continuing	Budgetary	Positive
	Budget	Budget	Amounts	appropriations	Adjusted	(Negative)
REVENUES						
Real estate and personal property taxes, net	\$ 14,803,830	\$ 14,803,830	\$ 14,885,002		\$ 14,885,002	\$ 81,172
Intergovernmental	382,580	382,580	380,025		380,025	(2,555)
Motor vehicle and other excises	745,180	745,180	815,171		815,171	69,991
License and permits	249,859	249,859	233,413		233,413	(16,446)
Departmental and other revenue	184,309	184,309	245,593		245,593	61,284
Penalties and interest on taxes	45,000	45,000	59,004		59,004	14,004
Fines, Fees and forfeitures	12,000	12,000	9,070		9,070	(2,930)
Investment income	34,430	34,430	21,373		21,373	(13,057)
Total Revenues	16,457,188	16,457,188	16,648,651		16,648,651	191,463
EXPENDITURES						
General government	1,596,001	1,613,551	1,186,334	\$ 255,039	1,441,373	172,178
Public safety	2,291,756	2,432,756	2,104,573	162,950	2,267,523	165,233
Education	8,825,163	8,828,300	8,828,300	-	8,828,300	-
Public works	2,083,543	2,172,565	1,295,974	696,131	1,992,105	180,460
Health and human services	742,353	842,353	702,783	3,263	706,046	136,307
Culture and recreation	400,961	400,961	378,732	-	378,732	22,229
Fringe Benefits	1,161,226	1,161,226	1,128,259	378	1,128,637	32,589
State and county tax assessments	82,578	82,578	82,578	-	82,578	-
Debt service	356,000	356,000	355,900	-	355,900	100
Total Expenditures	17,539,581	17,890,290	16,063,433	\$ 1,117,761	17,181,194	709,096
OTHER FINANCING SOURCES (USES)						
Transfers in	620,510	653,510	632,349		632,349	(21,161)
Transfers out	(828,600)	(832,836)	(832,836)		(832,836)	-
Total Other Financing Sources (Uses)	(208,090)	(179,326)	(200,487)		(200,487)	(21,161)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE						
	(1,290,483)	(1,612,428)	\$ 384,731		\$ (733,030)	\$ 879,398
Other Budgetary Items:						
Undesignated surplus (free cash)	\$ -	\$ 321,945				
Overlay	220,000	220,000				
Prior year encumbrances	1,070,483	1,070,483				
Total Other Budgetary Items	1,290,483	1,612,428				
Net Budget	\$ -	\$ -				

See accompanying independent auditors' report.

See accompanying notes to required supplementary information.

TOWN OF WEST NEWBURY, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2021

I. Budgetary Basis of Accounting

Budgetary Information – An annual budget is legally adopted for the General Fund. Financial orders are initiated by department heads, recommended by the Board of Selectmen and approved by the Town Meeting members at the Town’s annual meeting in May. Expenditures may not legally exceed appropriations at the department level, or in the categories of salary and non-salary expenses. Department heads may transfer, without Town meeting approval, appropriation balances from one expenditure account to another within each budget categories. The Town Meeting, however, must approve any transfer of unencumbered appropriation balances between departments or categories. At the close of each fiscal year, unencumbered appropriation balances lapse or reverts to unreserved fund balance.

The Town adopts an annual budget for the general fund in conformity with the guidelines described above.

The Town Accountant has the responsibility to ensure that budgetary control is maintained in the manner in which the appropriations were voted at Town Meeting. Budgetary control is exercised through the Town’s accounting system.

Budgetary-to-GAAP Reconciliation – The Town’s general fund is prepared on a basis other than GAAP. A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2021, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 16,648,651
Stabilization investment income	\$ -	\$ 12,764	12,764
Revenues on a GAAP basis	<u>\$ -</u>	<u>\$ 12,764</u>	<u>\$ 16,661,415</u>
Expenditures on a budgetary basis			\$ 16,063,433
Enterprise Fund indirect costs reported as expenditures	\$ (51,910)	\$ -	(51,910)
Municipal building insurance costs	-	5,461	5,461
Expenditures on a GAAP basis	<u>\$ (51,910)</u>	<u>\$ 5,461</u>	<u>\$ 16,016,984</u>
Other financing sources (uses) on a budgetary basis			\$ (200,487)
Stabilization transfers, net	\$ -	227,000	227,000
Other financing sources (uses) on a GAAP basis	<u>\$ -</u>	<u>\$ 227,000</u>	<u>\$ 26,513</u>



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

The Honorable Members of the Board of Selectmen
Town of West Newbury, Massachusetts

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of West Newbury, Massachusetts (the "Town"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated September 17, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Roselli, Clark & Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
September 17, 2021