

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF WEST NEWBURY, MASSACHUSETTS

Report on Examination of the Basic Financial Statements and
Additional Information

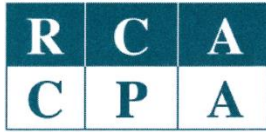
Year Ended June 30, 2022



TOWN OF WEST NEWBURY, MASSACHUSETTS

TABLE OF CONTENTS YEAR ENDED JUNE 30, 2022

	<u>Page</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	1-2
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u>	3-9
<u>BASIC FINANCIAL STATEMENTS:</u>	
Government-Wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements	
Balance Sheet – Governmental Funds	12
Reconciliation of the Governmental Funds Balance Sheet Total Fund	
Balances to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances –	
Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in	
Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Net Position – Proprietary Funds	16
Statement of Revenues, Expenses, and Changes in Net	
Position – Proprietary Funds	17
Statement of Cash Flows – Proprietary Funds	18
Statement of Fiduciary Net Position – Fiduciary Funds	19
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	20
Notes to Basic Financial Statements	21-46
<u>REQUIRED SUPPLEMENTARY INFORMATION:</u>	
Schedule of the Town's Proportionate Share of Net Pension Liability	47
Schedule of the Town's Contributions to Pension Plan	47
Schedule of Changes in Net OPEB Liability and Related Ratios	48
Schedule of OPEB Contributions	49
Schedule of Investment Returns – OPEB Plan	49
Schedule of Revenues, Expenditures and Changes in Fund Balances –	
Budget and Actual – General Fund	50
Notes to Required Supplementary Information	51



INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Town as of June 30, 2022, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements taken as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance

therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedules listed under the required supplementary information section in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers these 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.

Roselli Clark & Associates

Roselli, Clark and Associates
Certified Public Accountants
Woburn, Massachusetts
September 26, 2022

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, 2022.

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 over \$33.6 million (*total net position*). Nearly \$29.5 million represented net position of governmental activities and nearly \$4.2 million represented net position of the business-type activities.
- The government's total net position increased by over \$1.0 million. This was due to an increase of approximately \$0.9 million in governmental activities and over \$0.1 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 over \$5.6 million (32.7% of General Fund expenditures). Total Fund Balance in the General Fund was approximately \$6.9 million (40.0% 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 \$3.5 million, \$1.3 million and \$1.1 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 over \$33.6 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			
	2022	2021	2022	2021	2022	2021
<u>Assets</u>						
Current and other assets	\$ 14,143,303	\$ 14,034,753	\$ 2,293,736	\$ 2,349,759	\$ 16,437,039	\$ 16,384,512
Capital assets, net	24,051,241	22,956,973	5,155,472	5,006,453	29,206,713	27,963,426
Total assets	38,194,544	36,991,726	7,449,208	7,356,212	45,643,752	44,347,938
<u>Deferred Outflows of Resources</u>	1,360,736	1,049,444	127,078	98,884	1,487,814	1,148,328
<u>Liabilities</u>						
Long term liabilities	7,030,886	7,731,087	2,144,892	2,219,589	9,175,778	9,950,676
Other liabilities	1,165,722	531,311	1,100,000	1,100,000	2,265,722	1,631,311
Total liabilities	8,196,608	8,262,398	3,244,892	3,319,589	11,441,500	11,581,987
<u>Deferred Inflows of Resources</u>	1,898,452	1,213,275	165,886	115,219	2,064,338	1,328,494
<u>Net Position</u>						
Net investment in capital assets	23,756,241	22,356,976	2,813,812	2,727,127	26,570,053	25,084,103
Restricted	5,854,914	5,564,524	-	-	5,854,914	5,564,524
Unrestricted	(150,935)	643,997	1,351,696	1,293,161	1,200,761	1,937,158
Net Position	\$ 29,460,220	\$ 28,565,497	\$ 4,165,508	\$ 4,020,288	\$ 33,625,728	\$ 32,585,785

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 \$1.2 million.

Condensed changes in net position data is presented as follows:

	Governmental activities		Business activities		Total	
			June 30			
	2022	2021	2022	2021	2022	2021
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 506,918	\$ 679,753	\$ 1,016,139	\$ 1,097,425	\$ 1,523,057	\$ 1,777,178
Operating grants and contributions	680,939	863,527	-	-	680,939	863,527
Capital grants and contributions	409,385	150,000	4,500	6,000	413,885	156,000
General revenues:						
Property taxes	15,386,172	15,236,382	-	-	15,386,172	15,236,382
Intergovernmental	373,350	214,969	-	-	373,350	214,969
Other	762,716	1,057,837	(20,321)	6,182	742,395	1,064,019
Total revenues	<u>18,119,480</u>	<u>18,202,468</u>	<u>1,000,318</u>	<u>1,109,607</u>	<u>19,119,798</u>	<u>19,312,075</u>
<u>Expenses</u>						
General government	1,584,771	1,965,830	-	-	1,584,771	1,965,830
Public safety	2,718,022	2,980,644	-	-	2,718,022	2,980,644
Education	9,297,474	8,952,568	-	-	9,297,474	8,952,568
Public works	2,113,991	1,720,110	-	-	2,113,991	1,720,110
Health and human services	718,986	802,518	-	-	718,986	802,518
Culture and recreation	782,563	426,129	-	-	782,563	426,129
Debt service	8,950	15,900	-	-	8,950	15,900
Water	-	-	855,098	795,055	855,098	795,055
Total expenses	<u>17,224,757</u>	<u>16,863,699</u>	<u>855,098</u>	<u>795,055</u>	<u>18,079,855</u>	<u>17,658,754</u>
Change in net position	894,723	1,338,769	145,220	314,552	1,039,943	1,653,321
Net position, beginning of year	<u>28,565,497</u>	<u>27,226,728</u>	<u>4,020,288</u>	<u>3,705,736</u>	<u>32,585,785</u>	<u>30,932,464</u>
Net position, end of year	<u>\$ 29,460,220</u>	<u>\$ 28,565,497</u>	<u>\$ 4,165,508</u>	<u>\$ 4,020,288</u>	<u>\$ 33,625,728</u>	<u>\$ 32,585,785</u>

Governmental Activities - The Town relies significantly on property taxes, which, during 2022, made up approximately 84.9% of total governmental activities revenues, an increase of over \$0.1 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 54.0% of total expenses; this was consistent with the prior year amount of 53.1%. 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 decreased by 10% over the prior year due to decreased consumption and loss on investments. 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 over \$5.6 million, while total fund balance reached approximately \$6.9 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represented approximately 32.7% of total general fund expenditures, while total fund balance represented approximately 40.0% of that same amount.

The Town's governmental funds balance sheet reported a combined ending fund balance of over \$12.7 million. In addition to the \$6.9 million in the general fund previously discussed, there were also restricted fund balances in the Community Preservation Fund, Library Trust Fund and combined Nonmajor funds of over \$3.5 million, nearly \$1.3 million and nearly \$1.1 million, respectively.

The General Fund balance decreased by about \$0.5 million primarily due to the timing of spending down Town Meeting articles in the Public Works department.

The Community Preservation Fund balance increased by nearly \$0.1 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 was consistent with the prior year as activity was minimal.

The combined Nonmajor funds increased by approximately \$0.2 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 \$4.2 million, which increased over \$0.1 million from the prior year.

Fiduciary funds - The Town's fiduciary funds include nearly \$2.6 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, 2022, amounts to over \$29.2 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.

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 \$1.9 million; this includes approximately \$0.3 million in governmental activities and approximately \$1.6 million in business-type activities. This represented a decrease of nearly \$0.4 million over the prior year due to regularly scheduled maturities.

The Town's bond rating was increased AAA 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 \$57.5 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 region's unemployment rate remains robust as a byproduct of stimulus activities from the Federal Government. Unemployment rates are at 40-year lows.
- Inflation is trending near 40-year highs and efforts to battle this by the Federal Government are causing borrowing rates to spike near 20-year highs.
- 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 2023 which was authorized by Annual Town Meeting in May 2022 and it expects to set its tax rate before December 31, 2022.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Town Manager, Town Hall, 381 Main Street, West Newbury, Massachusetts, 01985.

TOWN OF WEST NEWBURY, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2022

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 8,919,086	\$ 1,468,897	\$ 10,387,983
Investments	4,939,470	447,120	5,386,590
Receivables, net of allowance for uncollectibles:			
Property taxes	82,924	-	82,924
Departmental and other	158,018	-	158,018
Intergovernmental	43,805	-	43,805
User charges	-	377,719	377,719
Capital assets, not being depreciated	9,741,087	2,823,722	12,564,809
Capital assets, net of accumulated depreciation	14,310,154	2,331,750	16,641,904
Total Assets	38,194,544	7,449,208	45,643,752
Deferred Outflows of Resources			
Related to other postemployment benefit liability	441,708	77,999	519,707
Related to net pension liability	919,028	49,079	968,107
Total Deferred Outflows of Resources	1,360,736	127,078	1,487,814
Liabilities			
Warrants and accounts payable	365,247	-	365,247
Accrued payroll and withholdings	52,283	-	52,283
Other liabilities	43,669	-	43,669
Unearned revenues	704,523	-	704,523
Bond anticipation notes payable	-	1,100,000	1,100,000
Noncurrent liabilities:			
Due within one year	370,339	39,386	409,725
Due in more than one year	6,660,547	2,105,506	8,766,053
Total Liabilities	8,196,608	3,244,892	11,441,500
Deferred Inflows of Resources			
Related to net other postemployment benefit liability	181,534	20,170	201,704
Related to net pension liability	1,716,918	145,716	1,862,634
Total Deferred Inflows of Resources	1,898,452	165,886	2,064,338
Net Position			
Net investment in capital assets	23,756,241	2,813,812	26,570,053
Restricted:			
Nonexpendable permanent funds	18,120	-	18,120
Community preservation	3,510,090	-	3,510,090
Other purposes	2,326,704	-	2,326,704
Unrestricted	(150,935)	1,351,696	1,200,761
Total Net Position	\$ 29,460,220	\$ 4,165,508	\$ 33,625,728

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

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

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
<u>Governmental Activities:</u>							
General government	\$ 1,584,771	\$ 199,886	\$ 43,953	\$ -	\$ (1,340,932)		\$ (1,340,932)
Public safety	2,718,022	201,602	161,503	-	(2,354,917)		(2,354,917)
Education	9,297,474	-	5,263	-	(9,292,211)		(9,292,211)
Public works	2,113,991	18,072	200	409,385	(1,686,334)		(1,686,334)
Health and human services	718,986	11,814	413,010	-	(294,162)		(294,162)
Culture and recreation	782,563	75,544	57,010	-	(650,009)		(650,009)
Interest	8,950	-	-	-	(8,950)		(8,950)
Total Governmental Activities	17,224,757	506,918	680,939	409,385	(15,627,515)		(15,627,515)
<u>Business-Type Activities:</u>							
Water	855,098	1,016,139	-	4,500	-	\$ 165,541	165,541
Total Primary Government	\$ 18,079,855	\$ 1,523,057	\$ 680,939	\$ 413,885	(15,627,515)	165,541	(15,461,974)
<u>General Revenues:</u>							
		Property taxes			15,386,172	-	15,386,172
		Motor vehicle and other excise			860,867	-	860,867
		Penalties and interest on taxes			70,988	-	70,988
		Grants and contributions not restricted to specific purposes			373,350	-	373,350
		Unrestricted investment income			(169,139)	(20,321)	(189,460)
		Total general revenues and transfers			16,522,238	(20,321)	16,501,917
		Change in Net Position			894,723	145,220	1,039,943
<u>Net Position:</u>							
		Beginning of year			28,565,497	4,020,288	32,585,785
		End of year			\$ 29,460,220	\$ 4,165,508	\$ 33,625,728

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

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

	General	Community Preservation	Library Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 4,011,527	\$ 3,054,162	\$ 198,073	\$ 1,655,324	\$ 8,919,086
Investments	3,331,397	455,928	1,076,862	75,283	4,939,470
Receivables, net of allowance for uncollectibles					
Property taxes	82,787	137	-	-	82,924
Departmental and other	153,198	-	-	4,820	158,018
Intergovernmental	-	-	-	43,805	43,805
Total Assets	<u>7,578,909</u>	<u>3,510,227</u>	<u>1,274,935</u>	<u>1,779,232</u>	<u>14,143,303</u>
Total Deferred Outflows of Resources	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 7,578,909</u>	<u>\$ 3,510,227</u>	<u>\$ 1,274,935</u>	<u>\$ 1,779,232</u>	<u>\$ 14,143,303</u>
Liabilities:					
Warrants and accounts payable	\$ 365,247	\$ -	\$ -	\$ -	\$ 365,247
Accrued payroll and withholdings	52,283	-	-	-	52,283
Other liabilities	43,669	-	-	-	43,669
Unearned revenues	-	-	-	704,523	704,523
Total Liabilities	<u>461,199</u>	<u>-</u>	<u>-</u>	<u>704,523</u>	<u>1,165,722</u>
Deferred Inflows of Resources:					
Unavailable revenues - property taxes	82,787	137	-	-	82,924
Unavailable revenues - other	153,198	-	-	4,820	158,018
Total Deferred Inflows of Resources	<u>235,985</u>	<u>137</u>	<u>-</u>	<u>4,820</u>	<u>240,942</u>
Fund Balances:					
Nonspendable	-	-	7,500	10,620	18,120
Restricted	38,316	3,510,090	1,267,435	1,059,269	5,875,110
Committed	996,657	-	-	-	996,657
Assigned	222,779	-	-	-	222,779
Unassigned	5,623,973	-	-	-	5,623,973
Total Fund Balances	<u>6,881,725</u>	<u>3,510,090</u>	<u>1,274,935</u>	<u>1,069,889</u>	<u>12,736,639</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 7,578,909</u>	<u>\$ 3,510,227</u>	<u>\$ 1,274,935</u>	<u>\$ 1,779,232</u>	<u>\$ 14,143,303</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, 2022

Total Governmental Fund Balances	\$ 12,736,639
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	24,051,241
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.	240,942
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	919,028
Deferred inflows related to net pension liability	(1,716,918)
Deferred outflows related to net other postemployment benefits liability	441,708
Deferred inflows related to net other postemployment benefits liability	(181,534)
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	(326,091)
Net pension liability	(6,265,807)
Net other postemployment benefit liability	(309,039)
Compensated absences	(129,949)
Net Position of Governmental Activities	<u>\$ 29,460,220</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, 2022**

	General	Community Preservation	Library Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 15,114,834	\$ 371,423	\$ -	\$ -	\$ 15,486,257
Intergovernmental	428,820	342,531	-	667,663	1,439,014
Excise taxes	859,952	-	-	915	860,867
License and permits	201,438	-	-	-	201,438
Departmental and other revenue	268,829	-	-	169,214	438,043
Penalties and interest on taxes	70,988	-	-	-	70,988
Fines and forfeitures	13,604	-	-	-	13,604
Investment income	(191,370)	3,929	21,824	(3,522)	(169,139)
Contributions and donations	-	-	-	24,660	24,660
Total Revenues	16,767,095	717,883	21,824	858,930	18,365,732
Expenditures:					
Current:					
General government	1,325,918	11,853	-	22,908	1,360,679
Public safety	1,999,234	-	-	152,068	2,151,302
Education	9,151,440	-	-	-	9,151,440
Public works	2,073,854	-	-	381,132	2,454,986
Health and human services	674,681	363,367	-	30,067	1,068,115
Culture and recreation	395,063	257,916	15,000	63,572	731,551
Pension and other fringe benefits	1,206,280	-	-	-	1,206,280
State and county tax assessments	84,208	-	-	-	84,208
Debt service:					
Principal	305,000	-	-	10,363	315,363
Interest	8,950	-	-	-	8,950
Total Expenditures	17,224,628	633,136	15,000	660,110	18,532,874
Net Change in Fund Balances	(457,533)	84,747	6,824	198,820	(167,142)
Fund Balances - Beginning	7,339,258	3,425,343	1,268,111	871,069	12,903,781
Fund Balances - Ending	\$ 6,881,725	\$ 3,510,090	\$ 1,274,935	\$ 1,069,889	\$ 12,736,639

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, 2022**

	<u>Total</u>
Net Change in Fund Balances - Total Governmental Fund Balances	\$ (167,142)
<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	\$ 1,927,570
Disposal of capital assets	(10,883)
Depreciation expense	<u>(822,421)</u>
Net effect of reporting capital assets	1,094,266
<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>315,363</u>
Net effect of reporting long-term debt	315,363
<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>	
	(246,252)
<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	(20,361)
Other postemployment benefits	(68,689)
Pension benefits	<u>(12,462)</u>
Net effect of reporting long-term liabilities	<u>(101,512)</u>
Change in Net Position of Governmental Activities	\$ <u>894,723</u>

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

JUNE 30, 2022

	Business-type Activities Enterprise fund Water
Assets:	
Current assets:	
Cash and cash equivalents	\$ 1,468,897
Investments	447,120
User fees receivable	377,719
Total current assets	2,293,736
Noncurrent assets:	
Capital assets, not being depreciated	2,823,722
Capital assets, net of accumulated depreciation	2,331,750
Total noncurrent assets	5,155,472
Total Assets	7,449,208
Deferred Outflows of Resources	
Related to net other postemployment benefit liability	77,999
Related to net pension liability	49,079
Total Deferred Outflows of Resources	127,078
Liabilities:	
Current liabilities:	
Bond anticipation notes payable	1,100,000
Bonds and notes payable	35,000
Compensated absences	4,386
Total current liabilities	1,139,386
Noncurrent liabilities:	
Bonds and notes payable	1,535,000
Compensated absences	4,385
Other postemployment benefit liability	34,338
Net pension liability	531,783
Total noncurrent liabilities	2,105,506
Total Liabilities	3,244,892
Deferred Inflows of Resources	
Related to net other postemployment benefit liability	20,170
Related to net pension liability	145,716
Total Deferred Inflows of Resources	165,886
Net Position:	
Net investment in capital assets	2,813,812
Unrestricted	1,351,696
Total Net Position	\$ 4,165,508

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, 2022**

	Business-type Activities Enterprise Fund Water
Operating Revenues:	
Charges for services	\$ 920,604
Other	95,535
Total Operating Revenues	1,016,139
Operating Expenses:	
Operating costs	670,067
Depreciation	108,349
Total Operating Expenses	778,416
Operating Income (Loss)	237,723
Nonoperating Revenues (Expenses):	
Investment income	(20,321)
Investment expense	(76,682)
Total Nonoperating Revenues (Expenses)	(97,003)
Income (Loss) Before Capital Contributions and Transfers	140,720
Capital Contributions:	
System development fees	4,500
Change in Net Position	145,220
Total Net Position - Beginning	4,020,288
Total Net Position - Ending	\$ 4,165,508

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

**STATEMENT OF CASH FLOW
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2022**

	Business-type Activities Enterprise Fund Water
Cash Flows From Operating Activities:	
Receipts from users	\$ 971,007
Payments to employees	(351,241)
Payments to vendors	(283,331)
Net Cash Provided by Operating Activities	336,435
Cash Flows from Capital and Related Financing Activities	
System development fees	4,500
Acquisition and construction of capital assets	(257,368)
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	(76,682)
Net Cash (Used for) Capital and Related Financing Activities	(376,579)
Cash flows from Investing Activities	
Investment purchases	(447,120)
Investment income	(20,321)
Net Cash Provided by (Used for) Investing Activities	(467,441)
Net Change in Cash and Cash Equivalents	(507,585)
Cash and Cash Equivalents:	
Beginning of year	1,976,482
End of year	\$ 1,468,897
Reconciliation of Operating Income to Net Cash Provided By (Used for) Operating Activities:	
Operating loss	\$ 237,723
Depreciation expense	108,349
Changes in assets, deferred inflows, and liabilities:	
Receivables (net)	(16,938)
Deferred outflows of resources	(28,194)
Net other postemployment benefit asset	12,496
Payables	(1,388)
Deferred inflows of resources	50,667
Net other postemployment benefit liability	34,338
Net pension liability	(60,618)
Net Cash Provided by (Used for) Operating Activities	\$ 336,435

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2022

	Other Postemployment Benefits Trust	Private Purpose Trust Funds
Assets:		
Cash and cash equivalents	\$ 203,779	\$ -
Certificates of deposit	-	229,939
Mutual funds	171,046	-
Equities	1,246,357	-
Fixed Income	478,024	-
Government securities	417,237	-
Other	48,076	-
Receivables	-	106,379
	<u>2,564,519</u>	<u>336,318</u>
Total Assets	<u>2,564,519</u>	<u>336,318</u>
Net Position:		
Held in trust for other postemployment benefits	2,564,519	-
Held in trust for other purposes	-	336,318
	<u>-</u>	<u>336,318</u>
Total Net Position	<u><u>\$ 2,564,519</u></u>	<u><u>\$ 336,318</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, 2022**

	Other Postemployment Benefits Trust	Private Purpose Trust Funds
Additions:		
Contributions:		
Employer	\$ 115,824	\$ -
Total contributions	115,824	-
Investment income:		
Interest and dividends	(305,703)	(13,112)
Total Additions	(189,879)	(13,112)
Deductions:		
Benefits paid	100,824	-
Health and human services	-	825
Total Deductions	100,824	825
Change in Net Position	(290,703)	(13,937)
Net Position - Beginning	2,855,222	350,255
Net Position - Ending	\$ 2,564,519	\$ 336,318

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

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 2022, the Town's share of the operating, capital and debt service expenses was \$8,932,879. 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.

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 \$3,331,397, at June 30, 2022 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 \$447,120 at June 30, 2022 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 \$30,437 of encumbrances from normal purchasing activity in the general fund as assigned and \$996,657 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	-	-	-	602,845	602,845
Public safety	-	-	-	48,173	48,173
Public works	-	-	-	18,117	18,117
Health and human services	-	-	-	81,977	81,977
Culture and recreation	-	-	1,267,435	209,963	1,477,398
Community preservation	-	3,510,090	-	-	3,510,090
Municipal buildings	38,316	-	-	-	38,316
Other purposes	-	-	-	98,194	98,194
Committed:					
General government	158,267	-	-	-	158,267
Public safety	15,000	-	-	-	15,000
Public works	823,390	-	-	-	823,390
Assigned:					
General government	22,877	-	-	-	22,877
Public safety	4,313	-	-	-	4,313
Public works	3,047	-	-	-	3,047
Health and human services	200	-	-	-	200
Subsequent years' budget	192,342	-	-	-	192,342
Unassigned	5,623,973	-	-	-	5,623,973
	<u>\$ 6,881,725</u>	<u>\$ 3,510,090</u>	<u>\$ 1,274,935</u>	<u>\$ 1,069,889</u>	<u>\$ 12,736,639</u>

E. Excess of Expenditures Over Appropriations and Deficits

During Fiscal Year 2022, 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 \$10,591,762 and the bank balance was \$11,352,565. Of the Town's bank balance, \$7,684,235 was covered by either federal depository insurance or by the depositors' insurance fund and \$3,668,330 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 \$2,627,404, corporate bond holdings totaling \$853,236, and equity securities totaling \$2,119,630 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, 2022:

	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities:				
U.S. Government obligations	\$ 2,627,404	\$ 2,627,404	\$ -	\$ -
Corporate bonds	853,236	-	853,236	-
Negotiable certificates of deposit	2,328,922	-	2,328,922	-
Total debt securities	5,809,562	2,627,404	3,182,158	-
Equity securities:				
Common stock	2,119,630	2,119,630	-	-
Exchange traded funds	48,076	48,076	-	-
Total equity securities	2,167,706	2,167,706	-	-
Total investments by fair value level	<u>\$ 7,977,268</u>	<u>\$ 4,795,110</u>	<u>\$ 3,182,158</u>	<u>\$ -</u>

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, 2022, the Town's investments had the following maturities:

Investments	Total	Time Until Maturity (Years)		
		<1	1 - 5	6 - 10 Years
U.S. Government obligations	\$ 2,627,404	\$ -	\$ 2,216,442	\$ 410,962
Corporate bonds	853,236	25,000	755,225	73,011
Negotiable certificates of deposit	2,328,922	823,268	1,505,654	-
Total Town Investments with Maturities	<u>\$ 5,809,562</u>	<u>\$ 848,268</u>	<u>\$ 4,477,321</u>	<u>\$ 483,973</u>

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, 2022, the credit quality ratings of the Town's investments were as follows:

Bond Ratings	Investments		
	Government Obligations	Corporate Fixed Income	Certificate of Deposit
Aaa	\$ 2,627,404	\$ -	\$ -
Aa2	-	75,047	-
Aa3	-	74,156	-
A1	-	121,871	-
A2	-	259,034	-
A3	-	77,529	-
Baa1	-	103,352	-
Baa2	-	118,195	-
Baa3	-	24,052	-
Not rated	-	-	2,328,922
	<u>\$ 2,627,404</u>	<u>\$ 853,236</u>	<u>\$ 2,328,922</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	\$ 82,787	\$ -	\$ 82,787
Tax liens, deferrals, and foreclosures	98,921	-	98,921
Excise	50,803	-	50,803
Other	4,544	-	4,544
Community preservation surcharges	137	-	137
Title V betterments	3,750	-	3,750
Intergovernmental	43,805	-	43,805
Total	<u>\$ 284,747</u>	<u>\$ -</u>	<u>\$ 284,747</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>\$ 377,719</u>	<u>\$ -</u>	<u>\$ 377,719</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	Other	
	Fund	Governmental	Total
		Funds	
Receivables type:			
Real estate and personal property taxes	\$ 82,787	\$ -	\$ 82,787
Tax liens, deferrals, and foreclosures	98,921	-	98,921
Excise	50,803	-	50,803
Other	3,474	1,070	4,544
Community preservation surcharges	-	137	137
Title V betterments	-	3,750	3,750
Total	<u>\$ 235,985</u>	<u>\$ 4,957</u>	<u>\$ 240,942</u>

C. Interfund Receivables, Payables and Transfers

The Town did not report any interfund receivables, payable or transfers for the fiscal year ended June 30, 2022.

D. Capital Assets

Capital assets for the year ended June 30, 2022, 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	232,184	(10,883)	287,605
Total capital assets not being depreciated	9,519,786	232,184	(10,883)	9,741,087
Capital assets being depreciated:				
Buildings	14,155,260	458,324	-	14,613,584
Improvements other than buildings	1,716,172	-	-	1,716,172
Infrastructure	9,379,975	729,996	-	10,109,971
Machinery and equipment	1,295,368	82,340	-	1,377,708
Vehicles	3,052,809	424,726	(246,950)	3,230,585
Total capital assets being depreciated	29,599,584	1,695,386	(246,950)	31,048,020
Less accumulated depreciation for:				
Buildings	(8,034,107)	(370,787)	-	(8,404,894)
Improvements other than buildings	(1,440,465)	(19,242)	-	(1,459,707)
Infrastructure	(3,354,649)	(180,466)	-	(3,535,115)
Machinery and equipment	(749,688)	(83,620)	-	(833,308)
Vehicles	(2,583,483)	(168,306)	246,950	(2,504,839)
Total accumulated depreciation	(16,162,392)	(822,421)	246,950	(16,737,863)
Total capital assets being depreciated, net	13,437,192	872,965	-	14,310,157
Governmental activities capital assets, net	<u>\$ 22,956,978</u>	<u>\$ 1,105,149</u>	<u>\$ (10,883)</u>	<u>\$ 24,051,244</u>
<u>Business Activities - Water:</u>				
Capital assets not being depreciated:				
Land	\$ 395,662	\$ -	\$ -	\$ 395,662
Construction in process	2,247,932	180,128	-	2,428,060
Total capital assets not being depreciated	2,643,594	180,128	-	2,823,722
Capital assets being depreciated:				
Infrastructure	5,418,598	26,819	-	5,445,417
Improvement other than buildings	5,570	-	-	5,570
Machinery and equipment	138,324	-	-	138,324
Vehicles	75,522	50,421	-	125,943
Total capital assets being depreciated	5,638,014	77,240	-	5,715,254
Less accumulated depreciation for:				
Infrastructure	(3,094,873)	(92,761)	-	(3,187,634)
Improvement other than buildings	(5,571)	-	-	(5,571)
Machinery and equipment	(104,006)	(5,728)	-	(109,734)
Vehicles	(70,705)	(9,860)	-	(80,565)
Total accumulated depreciation	(3,275,155)	(108,349)	-	(3,383,504)
Total capital assets being depreciated, net	2,362,859	(31,109)	-	2,331,750
Business activities capital assets, net	<u>\$ 5,006,453</u>	<u>\$ 149,019</u>	<u>\$ -</u>	<u>\$ 5,155,472</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:		Business-Type Activities:	
General government	\$ 104,496	Water	<u>\$ 108,349</u>
Public safety	232,668		
Education	135,151		
Public works	312,113		
Health and human services	12,113		
Culture and recreation	25,880		
	<u>\$ 822,421</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, 2021	Additions	Retirements	June 30, 2022
Business-type Activities - Water:						
BAN	2.00%	7/15/2021	\$ 1,100,000		\$ (1,100,000)	\$ -
BAN	1.50%	7/14/2022	-	1,100,000	-	1,100,000
			<u>\$ 1,100,000</u>	<u>\$ 1,100,000</u>	<u>\$ (1,100,000)</u>	<u>\$ 1,100,000</u>
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
Governmental Activities:					
Bond and note indebtedness	\$ 600,000	\$ -	\$ (305,000)	\$ 295,000	\$ 295,000
Notes from direct borrowings and placements	41,454	-	(10,363)	31,091	10,364
Compensated absences	109,589	75,155	(54,795)	129,949	64,975
Other post employment benefits liability/(asset)	(112,468)	707,282	(285,775)	309,039	-
Net pension liability	6,980,049	1,720,517	(2,434,759)	6,265,807	-
Total Governmental Activities	<u>\$ 7,618,624</u>	<u>\$ 2,502,954</u>	<u>\$ (3,090,692)</u>	<u>\$ 7,030,886</u>	<u>\$ 370,339</u>
Business-type Activities: Water					
Bond and note indebtedness	\$ 1,605,000	\$ -	\$ (35,000)	\$ 1,570,000	\$ 35,000
Notes from direct borrowings and placements	12,029	-	(12,029)	-	-
Compensated absences	10,159	3,692	(5,080)	8,771	4,386
Other post employment benefits liability/(asset)	(12,496)	78,587	(31,753)	34,338	-
Net pension liability	592,401	146,021	(206,639)	531,783	-
Total Business-type Activities: Water	<u>\$ 2,207,093</u>	<u>\$ 228,300</u>	<u>\$ (290,501)</u>	<u>\$ 2,144,892</u>	<u>\$ 39,386</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, 2022:

Description of Issue	Maturing Year	Interest Rate	Beginning Balance	Additions	Maturities	Ending Balance
Governmental Activities:						
General obligation bonds	2025	2.00 - 4.00%	\$ 600,000	\$ -	\$ (305,000)	\$ 295,000
MCWT notes (Title V)	2024	0.00 - 5.25%	41,454	-	(10,363)	31,091
Total Governmental Bond and Note Indebtedness			<u>641,454</u>	<u>-</u>	<u>(315,363)</u>	<u>326,091</u>
Business-type Activities - Water:						
FHA loan	2022	5.00%	12,029	-	(12,029)	-
General obligation bonds	2048	3.00 - 5.00%	1,605,000	-	(35,000)	1,570,000
Total Water Bond and Note Indebtedness			<u>1,617,029</u>	<u>-</u>	<u>(47,029)</u>	<u>1,570,000</u>
Total Long-Term Bond and Note Indebtedness - All			<u>\$ 2,258,483</u>	<u>\$ -</u>	<u>\$ (362,392)</u>	<u>\$ 1,896,091</u>

Year Ending June 30,	Governmental Activities - Total Bond and Note Indebtedness			
	Principal		Interest	
	GO Bonds	Direct	GO Bonds	Direct
2023	\$ 295,000	\$ 10,364	\$ 2,950	\$ -
2024	-	10,364	-	-
2025	-	10,363	-	-
Total	<u>\$ 295,000</u>	<u>\$ 31,091</u>	<u>\$ 2,950</u>	<u>\$ -</u>

Year Ending June 30,	Business-type Activities: Water - Total Bond and Note Indebtedness			
	Principal		Interest	
	GO Bonds	Direct	GO Bonds	Direct
2023	\$ 35,000	\$ -	\$ 52,687	\$ -
2024	40,000	-	50,812	-
2025	40,000	-	48,812	-
2026	45,000	-	46,687	-
2027	45,000	-	44,437	-
2028-2032	250,000	-	194,360	-
2033-2037	290,000	-	153,260	-
2038-2042	340,000	-	105,334	-
2043-2047	395,000	-	47,487	-
2048	90,000	-	1,463	-
Total	<u>\$ 1,570,000</u>	<u>\$ -</u>	<u>\$ 745,339</u>	<u>\$ -</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, 2021 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, 2021, was as follows:

Retired participants and beneficiaries receiving benefits	2,039
Inactive participants entitled to a return of their employee contributions	972
Active members	<u>3,118</u>
Total	<u>6,129</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 \$778,764 to the System in fiscal year 2022, which was the actuarially determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll was approximately 27.6% in fiscal year 2022.

Net Pension Liability – At June 30, 2022, the Town reported a liability of \$6,797,590 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. These figures were updated by the

independent actuary as of December 31, 2021. 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 1.96% at December 31, 2021.

Pension Expense – The Town recognized \$792,283 in pension expense in the statement of activities in fiscal year 2022.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual earnings	-	1,506,845
Changes in assumptions	752,978	-
Changes in proportion differences	243,483	-
Differences between expected and actual experience	566	207,997
Changes in proportion differences	-	147,792
	<u>\$ 997,027</u>	<u>\$ 1,862,634</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	\$ (38,080)
2023	(327,170)
2024	(320,090)
2025	<u>(180,267)</u>
Total	<u>\$ (865,607)</u>

Discount Rate – The discount rate used to measure the total pension liability was 7.0%. 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, 2022. The significant actuarial assumptions used in the January 1, 2022 actuarial valuation included:

Investment rate of return	Full prefunding: 7.0% per year, net of investment expenses
Discount Rate	7.0%
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 2021
Post-Retirement Mortality	RP-2014 Healthy Annuitant Mortality Table projected generationally with Scale MP 2021
Disabled Mortality	RP-2014 Healthy Annuitant Mortality Table set forward two years projected generationally with Scale MP 2021

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future 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	22.00%	6.11%
International Equity	11.50%	6.49%
International Emerging Markets	4.50%	8.12%
Core fixed income	15.00%	0.38%
High Yield Fixed Income	8.00%	2.48%
Real Estate	10.00%	3.72%
Timberland	4.00%	3.44%
Hedge Fund, GTAA, Risk Parity	10.00%	2.63%
Private Equity	15.00%	9.93%
	<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 7.0% as well as the Town’s proportionate share of the net pension liability using a discount rate that is one percentage point lower or one percentage greater than the current rate of 7.0%.

Net Pension Liability			
Discount Rate			
Current Rate	1% lower	Current	1% greater
7.0%	\$ 9,192,852	\$ 6,797,590	\$ 4,786,131

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, 2022, 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, 2022:

Active employees	44
Inactives currently receiving	<u>18</u>
Total	<u>62</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	2.40%
Health Care Trend Rate	7.0%; trending down to 4.0%
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 – There were no significant assumption changes.

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 2022. 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, 2022, the Town's average contribution rate was 3.8% of covered-employee payroll.

Net OPEB Liability – The Town's net OPEB asset was measured as of June 30, 2022 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%	4.66%
Large cap growth stocks	24.00%	4.66%
International equity	9.00%	5.88%
Emerging equity	3.00%	5.88%
Short-term fixed income	10.00%	1.30%
Intermediate fixed income	27.50%	1.33%
	<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:

Net OPEB Liability (asset)				
Discount Rate				
Current Rate	1% lower	Current	1% greater	
6.00%	\$ 778,719	\$ 343,377	\$ (8,513)	
Health Care Rate				
Current Rate	1% lower	Current	1% greater	
7.0% trending to 4.0%	\$ (88,787)	\$ 343,377	\$ 891,352	

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

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balances at June 30, 2021	\$ 2,730,258	\$ 2,855,222	\$ (124,964)
Changes for the year:			
Service cost	121,092	-	\$ 121,092
Interest	168,056	-	168,056
Changes in assumptions	(10,686)	-	(10,686)
Difference between expected and actual experience	-	-	-
Employer contributions	-	115,824	(115,824)
Benefit payments withdrawn from trust	-	(100,824)	100,824
Net investment income	-	(305,703)	305,703
Benefit payments	(100,824)	-	(100,824)
Net changes	177,638	(290,703)	468,341
Balances at June 30, 2022	\$ 2,907,896	\$ 2,564,519	\$ 343,377

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2022, the Town recognized OPEB expense of \$102,938. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2022 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 234,003	\$ 10,117
Differences between actual and expected experience	66,793	191,587
Differences between expected and actual earnings	189,991	-
	<u>\$ 490,787</u>	<u>\$ 201,704</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,	
2023	\$ 91,095
2024	98,004
2025	70,551
2026	84,681
2027	(36,614)
thereafter	(18,634)
	<u>\$ 289,083</u>

Net OPEB Liability/(Asset) – The components of the net OPEB liability/(asset) of the Town at June 30, 2022 were as follows:

Total OPEB Liability	\$ 2,907,896
Plan fiduciary net position	<u>(2,564,519)</u>
Net OPEB liability	<u>\$ 343,377</u>
Plan fiduciary net position as a percentage of the total OPEB liability	88.2%

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, 2022, the annual money-weighted rate of return on investments, net of investment expense, was negative 10.66%. 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, 2022, 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, 2022.

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

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

In June 2020, the GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The objective of this Statement was to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The provisions of this Statement became effective in fiscal year 2022. The adoption of this standard did not have a material impact on the Town's financial statements.

Future Year Implementations

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

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

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

Town is currently evaluating whether adoption will have a material impact on the financial statements.

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

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

TOWN OF WEST NEWBURY, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2022

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

	Year Ended June 30,							
	2022	2021	2020	2019	2018	2017	2016	2015
Town's proportion of the net pension liability (asset)	1.960%	1.908%	1.969%	1.969%	1.823%	1.888%	1.853%	1.906%
Town's proportionate share of the net pension liability (asset)	\$ 6,798	\$ 7,572	\$ 8,297	\$ 8,316	\$ 6,835	\$ 7,274	\$ 6,733	\$ 6,466
Town's covered-employee payroll	\$ 2,827	\$ 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	240.5%	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	67.0%	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,							
	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 779	\$ 737	\$ 707	\$ 687	\$ 594	\$ 572	\$ 656	\$ 509
Contributions in relation to the actuarially determined contribution	779	737	707	687	594	572	656	509
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 2,827	\$ 2,733	\$ 2,630	\$ 2,598	\$ 2,495	\$ 2,205	\$ 2,379	\$ 2,288
Contributions as a percentage of covered-employee payroll	27.6%	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, 2022**

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

	June 30					
	2022	2021	2020	2019	2018	2017
Total OPEB liability:						
Service cost	\$ 121,092	\$ 90,925	\$ 76,045	\$ 58,719	\$ 57,287	\$ 55,931
Interest	168,056	178,645	172,364	137,033	129,610	126,392
Difference between expected and actual experience	-	(261,637)	-	169,157	-	-
Changes in assumptions	(10,686)	(1,178)	278,802	207,010	-	-
Other	-	-	(56,374)	-	-	(58,609)
Benefit payments	(100,824)	(87,769)	(91,712)	(77,336)	(85,824)	(73,798)
Net change in total OPEB liability	177,638	(81,014)	379,125	494,583	101,073	49,916
Total OPEB liability - beginning of year	2,730,258	2,811,272	2,432,147	1,937,564	1,836,491	1,786,575
Total OPEB liability - end of year (a)	<u>\$ 2,907,896</u>	<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	\$ 115,824	\$ 87,769	\$ 91,712	\$ 77,336	\$ 85,824	\$ 73,798
Net investment income	(305,703)	475,222	131,132	179,419	209,981	133,214
Benefit payments	(100,824)	(87,769)	(91,712)	(77,336)	(85,824)	(73,798)
Net change in Plan fiduciary net position	(290,703)	475,222	131,132	179,419	209,981	133,214
Plan fiduciary net position - beginning of year	2,855,222	2,380,000	2,248,868	2,069,449	1,859,468	1,726,254
Plan fiduciary net position - end of year (b)	<u>\$ 2,564,519</u>	<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>\$ 343,377</u>	<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	88.19%	104.58%	84.66%	92.46%	106.81%	101.25%
Covered-employee payroll	\$ 3,029,899	\$ 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	11.33%	-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, 2022**

**SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS**

	June 30					
	2022	2021	2020	2019	2018	2017
Actuarially-determined contribution	\$ 122,248	\$ 118,387	\$ 91,529	\$ -	\$ 59,869	\$ 121,807
Contributions in relation to the actuarially-determined contribution	(115,824)	(87,769)	(91,712)	(77,336)	(85,824)	(121,807)
Contribution deficiency (excess)	<u>\$ 6,424</u>	<u>\$ 30,618</u>	<u>\$ (183)</u>	<u>\$ (77,336)</u>	<u>\$ (25,955)</u>	<u>\$ -</u>
Covered-employee payroll	\$ 3,029,899	\$ 2,835,247	\$ 2,695,931	\$ 2,625,945	\$ 2,661,029	\$ 2,596,126
Contribution as a percentage of covered-employee payroll	3.82%	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%					
Inflation	2.40%					
Healthcare cost trend rates	7.0% to 4.0%					
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					
	2022	2021	2020	2019	2018	2017
investment expense	-10.66%	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, 2022**

	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	\$ 14,835,236	\$ 14,835,236	\$ 15,114,834		\$ 15,114,834	\$ 279,598
Intergovernmental	400,718	400,718	428,820		428,820	28,102
Motor vehicle and other excises	776,600	776,600	859,952		859,952	83,352
License and permits	200,000	200,000	201,438		201,438	1,438
Departmental and other revenue	253,818	253,818	268,829		268,829	15,011
Penalties and interest on taxes	45,000	45,000	70,988		70,988	25,988
Fines, Fees and forfeitures	10,000	10,000	13,604		13,604	3,604
Investment income	20,000	20,000	7,765		7,765	(12,235)
Total Revenues	16,541,372	16,541,372	16,966,230		16,966,230	424,858
EXPENDITURES						
General government	1,818,079	1,846,079	1,360,428	\$ 181,144	1,541,572	304,507
Public safety	2,149,236	2,164,236	1,999,234	19,313	2,018,547	145,689
Education	9,152,788	9,152,788	9,151,440	-	9,151,440	1,348
Public works	2,814,191	2,993,281	2,092,240	826,437	2,918,677	74,604
Health and human services	764,580	764,580	674,681	200	674,881	89,699
Culture and recreation	403,737	403,737	395,063	-	395,063	8,674
Fringe Benefits	1,194,101	1,194,101	1,191,280	-	1,191,280	2,821
State and county tax assessments	84,268	84,268	84,208	-	84,208	60
Debt service	313,950	313,950	313,950	-	313,950	-
Total Expenditures	18,694,930	18,917,020	17,262,524	\$ 1,027,094	18,289,618	627,402
OTHER FINANCING SOURCES (USES)						
Transfers in	1,267,325	1,267,325	1,267,325		1,267,325	-
Transfers out	(1,291,261)	(1,291,261)	(1,291,261)		(1,291,261)	-
Total Other Financing Sources (Uses)	(23,936)	(23,936)	(23,936)		(23,936)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE						
	(2,177,494)	(2,399,584)	\$ (320,230)		\$ (1,347,324)	\$ 1,052,260
Other Budgetary Items:						
Undesignated surplus (free cash)	\$ 1,009,261	\$ 1,231,351				
Prior year encumbrances	1,117,761	1,117,761				
Miscellaneous	50,472	50,472				
Total Other Budgetary Items	2,177,494	2,399,584				
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, 2022

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, 2022, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 16,966,230
Stabilization investment income	\$ -	\$ (199,135)	(199,135)
Revenues on a GAAP basis	<u>\$ -</u>	<u>\$ (199,135)</u>	<u>\$ 16,767,095</u>
Expenditures on a budgetary basis			\$ 17,262,524
Enterprise Fund indirect costs reported as expenditures	\$ (52,896)	\$ -	(52,896)
OPEB contribution	-	15,000	15,000
Expenditures on a GAAP basis	<u>\$ (52,896)</u>	<u>\$ 15,000</u>	<u>\$ 17,224,628</u>
Other financing sources (uses) on a budgetary basis			\$ (97,966)
OPEB contribution	\$ -	\$ 15,000	15,000
Stabilization transfers, net	-	82,966	82,966
Other financing sources (uses) on a GAAP basis	<u>\$ -</u>	<u>\$ 97,966</u>	<u>\$ -</u>