

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, 2023



TOWN OF WEST NEWBURY, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Select Board
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, 2023, 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, 2023, 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 is the responsibility of Management, and 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 15, 2023

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, 2023.

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 \$29.6 million represented net position of governmental activities and over \$4.0 million represented net position of the business-type activities.
- The government's total net position was approximately the same as that of the prior year as both governmental and business-type activities operations were consistent with those of the previous year.
- The Town's Unassigned Fund Balance reported in the General Fund was over \$5.5 million (32.4% of General Fund expenditures). Total Fund Balance in the General Fund was approximately \$7.2 million (42.1% 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 \$3.8 million, \$1.4 million and \$0.9 million, respectively.
- The Town's total long-term debt decreased by approximately \$0.3 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			
	2023	2022	2023	2022	2023	2022
<u>Assets</u>						
Current and other assets	\$ 15,617,640	\$ 14,143,303	\$ 1,868,963	\$ 2,293,736	\$ 17,486,603	\$ 16,437,039
Capital assets, net	23,676,577	24,051,241	5,414,784	5,155,472	29,091,361	29,206,713
Total assets	39,294,217	38,194,544	7,283,747	7,449,208	46,577,964	45,643,752
<u>Deferred Outflows of Resources</u>	1,724,952	1,360,736	157,025	127,078	1,881,977	1,487,814
<u>Liabilities</u>						
Long term liabilities	8,677,807	7,030,886	2,274,313	2,144,892	10,952,120	9,175,778
Other liabilities	2,131,938	1,165,722	1,060,000	1,100,000	3,191,938	2,265,722
Total liabilities	10,809,745	8,196,608	3,334,313	3,244,892	14,144,058	11,441,500
<u>Deferred Inflows of Resources</u>	634,790	1,898,452	63,662	165,886	698,452	2,064,338
<u>Net Position</u>						
Net investment in capital assets	23,676,577	23,756,241	3,009,720	2,813,812	26,686,297	26,570,053
Restricted	6,118,392	5,854,914	-	-	6,118,392	5,854,914
Unrestricted	(220,335)	(150,935)	1,033,077	1,351,696	812,742	1,200,761
Net Position	\$ 29,574,634	\$ 29,460,220	\$ 4,042,797	\$ 4,165,508	\$ 33,617,431	\$ 33,625,728

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 \$0.8 million.

Condensed changes in net position data is presented as follows:

	Governmental activities		Business activities		Total	
			June 30			
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues:						
Charges for services	\$ 713,020	\$ 506,918	\$ 964,105	\$ 1,016,139	\$ 1,677,125	\$ 1,523,057
Operating grants and	545,200	680,939	-	-	545,200	680,939
Capital grants and contributions	294,722	409,385	12,000	4,500	306,722	413,885
General revenues:						
Property taxes	15,702,482	15,386,172	-	-	15,702,482	15,386,172
Intergovernmental	335,363	373,350	-	-	335,363	373,350
Other	1,263,802	762,716	30,431	(20,321)	1,294,233	742,395
Total revenues	18,854,589	18,119,480	1,006,536	1,000,318	19,861,125	19,119,798
Expenses						
General government	2,290,966	1,584,771	-	-	2,290,966	1,584,771
Public safety	2,974,005	2,718,022	-	-	2,974,005	2,718,022
Education	10,130,088	9,297,474	-	-	10,130,088	9,297,474
Public works	1,968,311	2,113,991	-	-	1,968,311	2,113,991
Health and human services	767,002	718,986	-	-	767,002	718,986
Culture and recreation	606,853	782,563	-	-	606,853	782,563
Debt service	2,950	8,950	-	-	2,950	8,950
Water	-	-	1,129,247	855,098	1,129,247	855,098
Total expenses	18,740,175	17,224,757	1,129,247	855,098	19,869,422	18,079,855
Change in net position	114,414	894,723	(122,711)	145,220	(8,297)	1,039,943
Net position, beginning of year	29,460,220	28,565,497	4,165,508	4,020,288	33,625,728	32,585,785
Net position, end of year	\$ 29,574,634	\$ 29,460,220	\$ 4,042,797	\$ 4,165,508	\$ 33,617,431	\$ 33,625,728

Governmental Activities - The Town relies significantly on property taxes, which, during 2023, made up approximately 83.3% of total governmental activities revenues, an increase of over \$0.3 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 54.1% of total expenses; this was consistent with the prior year amount of 54.0%. 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 were consistent with the prior year due to decreased consumption and an increase in rates. Expenses increased approximately 32% due to an increase in water purchases and an increase from a rate study that was performed.

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 \$5.5 million, while total fund balance reached approximately \$7.2 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represented approximately 32.4% of total general fund expenditures, while total fund balance represented approximately 42.1% of that same amount.

The Town's governmental funds balance sheet reported a combined ending fund balance of nearly \$13.3 million. In addition to the \$7.2 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 nearly \$3.8 million, over \$1.4 million and over \$0.9 million, respectively.

All fund balances were approximately the same as the prior year as operation in all activities was consistent.

Proprietary Funds - The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the year, net position of the water fund was approximately \$4.0 million, which was consistent with the prior year.

Fiduciary funds - The Town's fiduciary funds include nearly \$2.8 million for a trust established to account for the Town's other postemployment benefit activities. In addition, the Town maintains over \$0.5 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, 2023, amounts to nearly \$29.1 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 \$1.6 million; this includes approximately \$21,000 in governmental activities and approximately \$1.5 million in business-type activities. This represented a decrease of over \$0.3 million over the prior year due to regularly scheduled maturities.

The Town's bond rating was increased Aaa by Moodys which matched the same rating the Town received in the prior year from Standard and Poor; this means its investment grade is very strong and graded at the highest level..

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 \$59.4 million, which is significantly in excess of the Town's outstanding general obligation debt.

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

Economic Factors and Next Year's Budgets and Rates

- The Town's property tax base is made up predominantly of residential real estate taxes, which comprise about 97.4% of the Town's property tax base. 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 has been very strong for the past several years. This has been bolstered by mortgage rates at historic lows. Current actions by the Federal Open Market Committee to soften the economy due to inflation have caused mortgage rates to spike during fiscal year 2023. Such trends may have an adverse effect on the housing market, and the Town is monitoring this.
- Inflation is peaking near 40-year historic highs. This is having adverse impacts on the Town. Wage inflation cannot guarantee that the Town will be able to maintain employees without increasing wages. Energy inflation is causing a spike in energy costs. Price inflation is causing a spike in the price of the delivery and cost of goods and services. The construction building index is nearing historic highs which may cause the estimates of major capital projects to increase, in addition to the financing costs of these projects. The Town continues to monitor this situation.

The above items were considered when the Town developed its budget for fiscal year 2024 which was authorized by Annual Town Meeting in May 2023 and it expects to set its tax rate before December 31, 2023.

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, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 9,271,563	\$ 1,496,934	\$ 10,768,497
Investments	5,970,303	-	5,970,303
Receivables, net of allowance for uncollectibles:			
Property taxes	53,010	-	53,010
Departmental and other	235,623	-	235,623
Intergovernmental	87,141	-	87,141
User charges	-	372,029	372,029
Capital assets, not being depreciated	9,683,905	3,191,601	12,875,506
Capital assets, net of accumulated depreciation	13,992,672	2,223,183	16,215,855
Total Assets	39,294,217	7,283,747	46,577,964
Deferred Outflows of Resources			
Related to other postemployment benefit liability	404,989	44,999	449,988
Related to net pension liability	1,319,963	112,026	1,431,989
Total Deferred Outflows of Resources	1,724,952	157,025	1,881,977
Liabilities			
Warrants and accounts payable	630,635	-	630,635
Accrued payroll and withholdings	47,244	-	47,244
Other liabilities	45,012	-	45,012
Unearned revenues	1,409,047	-	1,409,047
Bond anticipation notes payable	-	1,060,000	1,060,000
Noncurrent liabilities:			
Due within one year	75,152	45,240	120,392
Due in more than one year	8,602,655	2,229,073	10,831,728
Total Liabilities	10,809,745	3,334,313	14,144,058
Deferred Inflows of Resources			
Related to net other postemployment benefit liability	372,956	41,440	414,396
Related to net pension liability	261,834	22,222	284,056
Total Deferred Inflows of Resources	634,790	63,662	698,452
Net Position			
Net investment in capital assets	23,676,577	3,009,720	26,686,297
Restricted:			
Nonexpendable permanent funds	18,120	-	18,120
Community preservation	3,787,682	-	3,787,682
Other purposes	2,312,590	-	2,312,590
Unrestricted	(220,335)	1,033,077	812,742
Total Net Position	\$ 29,574,634	\$ 4,042,797	\$ 33,617,431

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

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	\$ 2,290,966	\$ 345,816	\$ 66,426	\$ -	\$ (1,878,724)		\$ (1,878,724)
Public safety	2,974,005	257,531	62,915	-	(2,653,559)		(2,653,559)
Education	10,130,088	-	6,221	-	(10,123,867)		(10,123,867)
Public works	1,968,311	18,072	-	294,722	(1,655,517)		(1,655,517)
Health and human services	767,002	16,057	349,315	-	(401,630)		(401,630)
Culture and recreation	606,853	75,544	60,323	-	(470,986)		(470,986)
Interest	2,950	-	-	-	(2,950)		(2,950)
Total Governmental Activities	18,740,175	713,020	545,200	294,722	(17,187,233)		(17,187,233)
<u>Business-Type Activities:</u>							
Water	1,129,247	964,105	-	12,000	-	\$ (153,142)	(153,142)
Total Primary Government	<u>\$ 19,869,422</u>	<u>\$ 1,677,125</u>	<u>\$ 545,200</u>	<u>\$ 306,722</u>	(17,187,233)	(153,142)	(17,340,375)
<u>General Revenues:</u>							
		Property taxes			15,702,482	-	15,702,482
		Motor vehicle and other excise			841,237	-	841,237
		Penalties and interest on taxes			43,730	-	43,730
		Grants and contributions not restricted to specific purposes			335,363	-	335,363
		Unrestricted investment income			378,835	30,431	409,266
		Total general revenues and transfers			17,301,647	30,431	17,332,078
		Change in Net Position			114,414	(122,711)	(8,297)
<u>Net Position:</u>							
		Beginning of year			29,460,220	4,165,508	33,625,728
		End of year			<u>\$ 29,574,634</u>	<u>\$ 4,042,797</u>	<u>\$ 33,617,431</u>

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023**

	General	Community Preservation	Library Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 4,722,268	\$ 2,410,653	\$ -	\$ 2,138,642	\$ 9,271,563
Investments	3,119,429	1,438,079	1,412,795	-	5,970,303
Receivables, net of allowance for uncollectibles					
Property taxes	51,678	1,332	-	-	53,010
Departmental and other	132,373	71	-	103,179	235,623
Intergovernmental	-	-	-	87,141	87,141
Total Assets	<u>8,025,748</u>	<u>3,850,135</u>	<u>1,412,795</u>	<u>2,328,962</u>	<u>15,617,640</u>
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 8,025,748</u>	<u>\$ 3,850,135</u>	<u>\$ 1,412,795</u>	<u>\$ 2,328,962</u>	<u>\$ 15,617,640</u>
Liabilities:					
Warrants and accounts payable	\$ 569,582	\$ 61,050	\$ -	\$ -	\$ 630,632
Accrued payroll and withholdings	47,244	-	-	-	47,244
Other liabilities	45,012	-	-	-	45,012
Unearned revenues	-	-	-	1,409,047	1,409,047
Total Liabilities	<u>661,838</u>	<u>61,050</u>	<u>-</u>	<u>1,409,047</u>	<u>2,131,935</u>
Deferred Inflows of Resources:					
Unavailable revenues - property taxes	51,678	1,332	-	-	53,010
Unavailable revenues - other	132,373	71	-	2,000	134,444
Total Deferred Inflows of Resources	<u>184,051</u>	<u>1,403</u>	<u>-</u>	<u>2,000</u>	<u>187,454</u>
Fund Balances:					
Nonspendable	-	-	7,500	10,620	18,120
Restricted	38,316	3,787,682	1,405,295	907,295	6,138,588
Committed	1,448,446	-	-	-	1,448,446
Assigned	160,911	-	-	-	160,911
Unassigned	5,532,186	-	-	-	5,532,186
Total Fund Balances	<u>7,179,859</u>	<u>3,787,682</u>	<u>1,412,795</u>	<u>917,915</u>	<u>13,298,251</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 8,025,748</u>	<u>\$ 3,850,135</u>	<u>\$ 1,412,795</u>	<u>\$ 2,328,962</u>	<u>\$ 15,617,640</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, 2023

Total Governmental Fund Balances	\$ 13,298,251
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	23,676,577
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.	187,454
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	1,319,963
Deferred inflows related to net pension liability	(261,834)
Deferred outflows related to net other postemployment benefits liability	404,989
Deferred inflows related to net other postemployment benefits liability	(372,956)
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	(20,727)
Net pension liability	(8,333,230)
Net other postemployment benefit liability	(194,277)
Compensated absences	(129,576)
Net Position of Governmental Activities	<u>\$ 29,574,634</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, 2023**

	General	Community Preservation	Library Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 15,342,269	\$ 390,127	\$ -	\$ -	\$ 15,732,396
Intergovernmental	421,052	310,408	-	414,439	1,145,899
Excise taxes	840,371	-	-	866	841,237
License and permits	269,646	-	-	-	269,646
Departmental and other revenue	286,421	-	-	170,789	457,210
Penalties and interest on taxes	43,730	-	-	-	43,730
Fines and forfeitures	9,738	-	-	-	9,738
Investment income	136,252	94,529	147,860	194	378,835
Contributions and donations	-	-	-	29,386	29,386
Total Revenues	17,349,479	795,064	147,860	615,674	18,908,077
Expenditures:					
Current:					
General government	1,320,643	517,472	-	250,685	2,088,800
Public safety	2,022,352	-	-	67,137	2,089,489
Education	9,441,244	-	-	-	9,441,244
Public works	1,429,923	-	-	275,670	1,705,593
Health and human services	730,263	-	-	33,099	763,362
Culture and recreation	441,464	-	10,000	126,721	578,185
Pension and other fringe benefits	1,285,216	-	-	-	1,285,216
State and county tax assessments	86,262	-	-	-	86,262
Debt service:					
Principal	295,000	-	-	10,364	305,364
Interest	2,950	-	-	-	2,950
Total Expenditures	17,055,317	517,472	10,000	763,676	18,346,465
Transfers in	3,972	-	-	-	3,972
Transfers out	-	-	-	(3,972)	(3,972)
Total Other Financing Sources (Uses)	3,972	-	-	(3,972)	-
Net Change in Fund Balances	298,134	277,592	137,860	(151,974)	561,612
Fund Balances - Beginning	6,881,725	3,510,090	1,274,935	1,069,889	12,736,639
Fund Balances - Ending	\$ 7,179,859	\$ 3,787,682	\$ 1,412,795	\$ 917,915	\$ 13,298,251

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, 2023**

	<u>Total</u>
Net Change in Fund Balances - Total Governmental Fund Balances	\$ 561,612
<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	\$ 497,317
Disposal of capital assets	(36,840)
Depreciation expense	<u>(835,141)</u>
Net effect of reporting capital assets	(374,664)
<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>305,364</u>
Net effect of reporting long-term debt	305,364
<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>	
	(53,488)
<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	373
Other postemployment benefits	(113,377)
Pension benefits	<u>(211,406)</u>
Net effect of reporting long-term liabilities	<u>(324,410)</u>
Change in Net Position of Governmental Activities	<u>\$ 114,414</u>

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

JUNE 30, 2023

	Business-type Activities Enterprise fund Water
Assets:	
Current assets:	
Cash and cash equivalents	\$ 1,496,934
Investments	-
User fees receivable	372,029
Total current assets	1,868,963
Noncurrent assets:	
Capital assets, not being depreciated	3,191,601
Capital assets, net of accumulated depreciation	2,223,183
Total noncurrent assets	5,414,784
Total Assets	7,283,747
Deferred Outflows of Resources	
Related to net other postemployment benefit liability	44,999
Related to net pension liability	112,026
Total Deferred Outflows of Resources	157,025
Liabilities:	
Current liabilities:	
Bond anticipation notes payable	1,060,000
Bonds and notes payable	40,000
Compensated absences	5,240
Total current liabilities	1,105,240
Noncurrent liabilities:	
Bonds and notes payable	1,495,000
Compensated absences	5,240
Other postemployment benefit liability	21,586
Net pension liability	707,247
Total noncurrent liabilities	2,229,073
Total Liabilities	3,334,313
Deferred Inflows of Resources	
Related to net other postemployment benefit liability	41,440
Related to net pension liability	22,222
Total Deferred Inflows of Resources	63,662
Net Position:	
Net investment in capital assets	3,009,720
Unrestricted	1,033,077
Total Net Position	\$ 4,042,797

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, 2023**

	Business-type Activities Enterprise Fund Water
Operating Revenues:	
Charges for services	\$ 872,764
Other	91,341
Total Operating Revenues	<u>964,105</u>
Operating Expenses:	
Operating costs	951,492
Depreciation	<u>108,567</u>
Total Operating Expenses	<u>1,060,059</u>
Operating Income (Loss)	<u>(95,954)</u>
Nonoperating Revenues (Expenses):	
Investment income	30,431
Investment expense	<u>(69,188)</u>
Total Nonoperating Revenues (Expenses)	<u>(38,757)</u>
Income (Loss) Before Capital Contributions and Transfers	<u>(134,711)</u>
Capital Contributions:	
System development fees	<u>12,000</u>
Change in Net Position	<u>(122,711)</u>
Total Net Position - Beginning	<u>4,165,508</u>
Total Net Position - Ending	<u><u>\$ 4,042,797</u></u>

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

**STATEMENT OF CASH FLOW
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2023**

	Business-type Activities Enterprise Fund Water
Cash Flows From Operating Activities:	
Receipts from users	\$ 939,848
Payments to employees	(429,534)
Payments to vendors	(459,761)
Net Cash Provided by Operating Activities	50,553
Cash Flows from Capital and Related Financing Activities	
System development fees	12,000
Acquisition and construction of capital assets	(367,879)
Issuance of bonds and notes	1,060,000
Payment of bonds and notes	(1,100,000)
Principal payments on bonds and notes	(35,000)
Interest expense	(69,188)
Net Cash (Used for) Capital and Related Financing Activities	(500,067)
Cash flows from Investing Activities	
Investment purchases	447,120
Investment income	30,431
Net Cash Provided by (Used for) Investing Activities	477,551
Net Change in Cash and Cash Equivalents	28,037
Cash and Cash Equivalents:	
Beginning of year	1,468,897
End of year	\$ 1,496,934
Reconciliation of Operating Income to Net Cash Provided By (Used for) Operating Activities:	
Operating loss	\$ (95,954)
Depreciation expense	108,567
Changes in assets, deferred inflows, and liabilities:	
Receivables (net)	5,690
Deferred outflows of resources	(29,947)
Net other postemployment benefit asset	-
Payables	1,709
Deferred inflows of resources	(102,224)
Net other postemployment benefit liability	(12,752)
Net pension liability	175,464
Net Cash Provided by (Used for) Operating Activities	\$ 50,553

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2023

	Other Postemployment Benefits Trust	Private Purpose Trust Funds
	<u> </u>	<u> </u>
Assets:		
Cash and cash equivalents	\$ 182,797	\$ -
Certificates of deposit	-	528,087
Mutual funds	202,069	-
Equities	1,357,143	-
Fixed Income	648,487	-
Government securities	356,656	-
Other	39,174	-
	<u> </u>	<u> </u>
Total Assets	<u>2,786,326</u>	<u>528,087</u>
Net Position:		
Held in trust for other postemployment benefits	2,786,326	-
Held in trust for other purposes	-	528,087
	<u> </u>	<u> </u>
Total Net Position	<u><u>\$ 2,786,326</u></u>	<u><u>\$ 528,087</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, 2023**

	Other Postemployment Benefits Trust	Private Purpose Trust Funds
Additions:		
Contributions:		
Employer	\$ 87,137	\$ -
Contributions and donations	<u>-</u>	<u>193,909</u>
Total contributions	<u>87,137</u>	<u>193,909</u>
Investment income:		
Interest and dividends	<u>221,807</u>	<u>3,840</u>
Total Additions	<u>308,944</u>	<u>197,749</u>
Deductions:		
Benefits paid	87,137	-
Health and human services	<u>-</u>	<u>5,980</u>
Total Deductions	<u>87,137</u>	<u>5,980</u>
Change in Net Position	221,807	191,769
Net Position - Beginning	<u>2,564,519</u>	<u>336,318</u>
Net Position - Ending	<u><u>\$ 2,786,326</u></u>	<u><u>\$ 528,087</u></u>

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

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 Select Board governs the Town with an appointed Town Manager that enforces the policies of the Select Board. Each Select Board 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 2023, the Town's share of the operating, capital and debt service expenses was \$9,126,733. 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 \$3,119,429, at June 30, 2023 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 \$411,753 at June 30, 2023 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 \$67,093 of encumbrances from normal purchasing activity in the general fund as assigned and \$1,448,446 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	-	-	-	411,030	411,030
Public safety	-	-	-	48,930	48,930
Public works	-	-	-	60,132	60,132
Health and human services	-	-	-	87,950	87,950
Culture and recreation	-	-	1,405,295	209,563	1,614,858
Community preservation	-	3,787,682	-	-	3,787,682
Municipal buildings	38,316	-	-	-	38,316
Other purposes	-	-	-	89,690	89,690
Committed:					
General government	374,844	-	-	-	374,844
Public safety	15,000	-	-	-	15,000
Public works	1,056,032	-	-	-	1,056,032
Health and human services	2,570	-	-	-	2,570
Assigned:					
General government	9,600	-	-	-	9,600
Public safety	2,684	-	-	-	2,684
Public works	53,801	-	-	-	53,801
Health and human services	797	-	-	-	797
Culture and recreation	211	-	-	-	211
Subsequent years' budget	93,818	-	-	-	93,818
Unassigned	5,532,186	-	-	-	5,532,186
	<u>\$ 7,179,859</u>	<u>\$ 3,787,682</u>	<u>\$ 1,412,795</u>	<u>\$ 917,915</u>	<u>\$ 13,298,251</u>

E. Excess of Expenditures Over Appropriations and Deficits

During Fiscal Year 2023, 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 the 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 \$10,951,294 and the bank balance was \$12,730,288. Of the Town's bank balance, \$9,236,358 was covered by either federal depository insurance or by the depositors' insurance fund and the remainder 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 \$2,608,183, corporate bond holdings totaling \$919,609, and equity securities totaling \$3,153,190 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, 2023:

	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities:				
U.S. Government obligations	\$ 2,608,183	\$ 2,033,298	\$ 574,885	\$ -
Corporate bonds	919,609	-	919,609	-
Negotiable certificates of deposit	3,153,190	-	3,153,190	-
Fixed income ETF	39,174	-	39,174	-
Total debt securities	6,720,156	2,033,298	4,686,858	-
Equity securities:				
Common stock	2,381,763	2,381,763	-	-
Total equity securities	2,381,763	2,381,763	-	-
Total investments by fair value level	\$ 9,101,919	\$ 4,415,061	\$ 4,686,858	\$ -

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, 2023, the Town's investments had the following maturities:

Investments	Total	Time Until Maturity (Years)			
		<1	1 - 5	6 - 10 Years	>10
U.S. Government obligations	\$ 2,608,183	\$ 464,621	\$ 1,632,054	\$ 511,508	\$ -
Corporate bonds	919,609	123,158	646,969	124,539	24,943
Negotiable certificates of deposit	3,153,190	2,444,063	709,127	-	-
Total Town Investments with Maturities	\$ 6,680,982	\$ 3,031,842	\$ 2,988,150	\$ 636,047	\$ 24,943

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, 2023, the credit quality ratings of the Town’s investments were as follows:

Bond Ratings	Investments		
	Government Obligations	Corporate Fixed Income	Certificate of Deposit
Aaa	\$ 2,608,183	\$ -	\$ -
Aa2	-	73,798	-
Aa3	-	97,600	-
A1	-	218,074	-
A2	-	239,381	-
A3	-	100,598	-
Baa1	-	24,344	-
Baa2	-	141,626	-
Baa3	-	24,188	-
Not rated	-	-	3,153,190
	<u>\$ 2,608,183</u>	<u>\$ 919,609</u>	<u>\$ 3,153,190</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	\$ 51,678	\$ -	\$ 51,678
Tax liens, deferrals, and foreclosures	71,138	-	71,138
Excise	60,110	-	60,110
Other	102,375	-	102,375
Community preservation surcharges	1,332	-	1,332
Title V betterments	2,000	-	2,000
Intergovernmental	87,141	-	87,141
Total	<u>\$ 375,774</u>	<u>\$ -</u>	<u>\$ 375,774</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	\$ 372,029	\$ -	\$ 372,029

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

	General Fund	Other Governmental Funds	Total
Receivables type:			
Real estate and personal property taxes	\$ 51,678	\$ -	\$ 51,678
Tax liens, deferrals, and foreclosures	71,067	-	71,067
Excise	60,110	-	60,110
Other	1,196	-	1,196
Community preservation surcharges	-	1,403	1,403
Title V betterments	-	2,000	2,000
Total	\$ 184,051	\$ 3,403	\$ 187,454

C. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2023, are summarized as follows:

	Transfers In	
Transfers Out	General Fund	Total
Nonmajor Governmental Funds	\$ 3,972	\$ 3,972 (1)
Total	\$ 3,972	\$ 3,972

(1) Transfers to general fund to cover costs paid out of general fund

D. Capital Assets

Capital assets for the year ended June 30, 2023, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 9,453,482	\$ 175,000	\$ -	\$ 9,628,482
Construction in progress	287,605	-	(232,183)	55,422
Total capital assets not being depreciated	9,741,087	175,000	(232,183)	9,683,904
Capital assets being depreciated:				
Buildings	14,613,584	-	-	14,613,584
Improvements other than buildings	1,716,172	451,980	-	2,168,152
Infrastructure	10,109,971	-	-	10,109,971
Machinery and equipment	1,377,708	39,000	-	1,416,708
Vehicles	3,230,585	63,521	(36,840)	3,257,266
Total capital assets being depreciated	31,048,020	554,501	(36,840)	31,565,681
Less accumulated depreciation for:				
Buildings	(8,404,894)	(383,751)	-	(8,788,645)
Improvements other than buildings	(1,459,707)	(26,775)	-	(1,486,482)
Infrastructure	(3,535,115)	(193,459)	-	(3,728,574)
Machinery and equipment	(833,308)	(91,665)	-	(924,973)
Vehicles	(2,504,839)	(176,335)	36,840	(2,644,334)
Total accumulated depreciation	(16,737,863)	(871,985)	36,840	(17,573,008)
Total capital assets being depreciated, net	14,310,157	(317,484)	-	13,992,673
Governmental activities capital assets, net	\$ 24,051,244	\$ (142,484)	\$ (232,183)	\$ 23,676,577
<u>Business Activities - Water:</u>				
Capital assets not being depreciated:				
Land	\$ 395,662	\$ -	\$ -	\$ 395,662
Construction in process	2,428,060	367,879	-	2,795,939
Total capital assets not being depreciated	2,823,722	367,879	-	3,191,601
Capital assets being depreciated:				
Infrastructure	5,445,417	-	-	5,445,417
Improvement other than buildings	5,570	-	-	5,570
Machinery and equipment	138,324	-	-	138,324
Vehicles	125,943	-	-	125,943
Total capital assets being depreciated	5,715,254	-	-	5,715,254
Less accumulated depreciation for:				
Infrastructure	(3,187,634)	(92,755)	-	(3,280,389)
Improvement other than buildings	(5,570)	-	-	(5,570)
Machinery and equipment	(109,735)	(5,728)	-	(115,463)
Vehicles	(80,565)	(10,084)	-	(90,649)
Total accumulated depreciation	(3,383,504)	(108,567)	-	(3,492,071)
Total capital assets being depreciated, net	2,331,750	(108,567)	-	2,223,183
Business activities capital assets, net	\$ 5,155,472	\$ 259,312	\$ -	\$ 5,414,784

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:		Business-Type Activities:	
General government	\$ 104,496	Water	<u>\$ 108,567</u>
Public safety	259,356		
Education	140,372		
Public works	317,657		
Health and human services	24,224		
Culture and recreation	<u>25,880</u>		
	<u>\$ 871,985</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, 2022	Additions	Retirements	June 30, 2023
Business-type Activities - Water:						
BAN	1.50%	7/14/2022	\$ 1,100,000		\$ (1,100,000)	\$ -
BAN	3.50%	7/13/2023	<u>-</u>	<u>1,060,000</u>	<u>-</u>	<u>1,060,000</u>
Total Notes Payable			<u>\$ 1,100,000</u>	<u>\$ 1,060,000</u>	<u>\$ (1,100,000)</u>	<u>\$ 1,060,000</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	\$ 295,000	\$ -	\$ (295,000)	\$ -	\$ -
Notes from direct borrowings and placements	31,091	-	(10,364)	20,727	10,364
Compensated absences	129,949	64,602	(64,975)	129,576	64,788
Other post employment benefits liability/(asset)	309,039	596,969	(711,734)	194,274	
Net pension liability	6,265,807	3,128,372	(1,060,949)	8,333,230	-
Total Governmental Activities	<u>\$ 7,030,886</u>	<u>\$ 3,789,943</u>	<u>\$ (2,143,022)</u>	<u>\$ 8,677,807</u>	<u>\$ 75,152</u>
Business-type Activities: Water					
Bond and note indebtedness	\$ 1,570,000	\$ -	\$ (35,000)	\$ 1,535,000	\$ 40,000
Compensated absences	8,771	6,095	(4,386)	10,480	5,240
Other post employment benefits liability/(asset)	34,338	66,330	(79,082)	21,586	
Net pension liability	531,783	265,507	(90,043)	707,247	-
Total Business-type Activities: Water	<u>\$ 2,144,892</u>	<u>\$ 337,932</u>	<u>\$ (208,511)</u>	<u>\$ 2,274,313</u>	<u>\$ 45,240</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, 2023:

Description of Issue	Maturing Year	Interest Rate	Beginning Balance	Additions	Maturities	Ending Balance
Governmental Activities:						
General obligation bonds	2025	2.00 - 4.00%	\$ 295,000	\$ -	\$ (295,000)	\$ -
MCWT notes (Title V)	2024	0.00 - 5.25%	31,091	-	(10,364)	20,727
Total Governmental Bond and Note Indebtedness			<u>326,091</u>	<u>-</u>	<u>(305,364)</u>	<u>20,727</u>
Business-type Activities - Water:						
FHA loan	2022	5.00%	-	-	-	-
General obligation bonds	2048	3.00 - 5.00%	1,570,000	-	(35,000)	1,535,000
Total Water Bond and Note Indebtedness			<u>1,570,000</u>	<u>-</u>	<u>(35,000)</u>	<u>1,535,000</u>
Total Long-Term Bond and Note Indebtedness - All			<u>\$ 1,896,091</u>	<u>\$ -</u>	<u>\$ (340,364)</u>	<u>\$ 1,555,727</u>

Year Ending June 30,	Governmental Activities - Total Bond and Note Indebtedness			
	Principal		Interest	
	GO Bonds	Direct	GO Bonds	Direct
2024	\$ -	\$ 10,364	\$ -	\$ -
2025	-	10,363	-	-
Total	<u>\$ -</u>	<u>\$ 20,727</u>	<u>\$ -</u>	<u>\$ -</u>

Year Ending June 30,	Business-type Activities: Water - Total Bond and Note Indebtedness			
	Principal		Interest	
	GO Bonds	Direct	GO Bonds	Direct
2024	\$ 40,000	\$ -	\$ 50,812	\$ -
2025	40,000	-	48,812	-
2026	45,000	-	46,687	-
2027	45,000	-	44,437	-
2028	45,000	-	42,187	-
2029-2033	260,000	-	186,260	-
2034-2038	300,000	-	144,410	-
2039-2043	350,000	-	94,594	-
2044-2048	410,000	-	34,453	-
Total	<u>\$ 1,535,000</u>	<u>\$ -</u>	<u>\$ 692,652</u>	<u>\$ -</u>

Authorized and Unissued Debt – The Town’s authorized and unissued debt as of June 30, 2023:

Septic Loan	\$ 4,911
MCWT	3,100
Total	<u>\$ 8,011</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, 2022, 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, 2022, was as follows:

Retired participants and beneficiaries receiving benefits	2,000
Inactive participants entitled to a return of their employee contributions	1,358
Active members	2,933
Total	<u>6,291</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 the 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 \$866,935 to the System in fiscal year 2023, which was the actuarially determined contribution requirement for the fiscal year. The Town’s contributions as a percentage of covered payroll were approximately 27.8% in fiscal year 2023.

Net Pension Liability – At June 30, 2023, the Town reported a liability of \$9,040,477 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022, 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, 2022. 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 1.95% at December 31, 2022.

Pension Expense – The Town recognized \$1,096,283 in pension expense in the statement of activities in fiscal year 2023.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2023, 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	838,299	-
Changes in assumptions	493,349	-
Changes in proportion differences	100,059	-
Differences between expected and actual experience	282	155,260
Changes in proportion differences	-	128,796
	<u>\$ 1,431,989</u>	<u>\$ 284,056</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>
2023	\$ 167,186
2024	174,235
2025	313,628
2026	492,884
Total	<u>\$1,147,933</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 actuarial valuation included:

Investment rate of return	Full prefunding: 7.0% per year, net of investment expenses
Discount Rate	7.00%
Inflation	2.75%
Salary Increases	7.5% decreasing to 3.75% after 5 years of service
Cost of Living Adjustment	3% of first \$16,000
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 one year 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	20.50%	6.59%
International Equity	12.00%	6.87%
International Emerging Markets	4.50%	8.30%
Core fixed income	15.00%	1.53%
High Yield Fixed Income	8.00%	3.54%
Real Estate	10.00%	3.44%
Timberland	4.00%	4.01%
Hedge Fund, GTAA, Risk Parity	10.00%	3.06%
Private Equity	16.00%	9.49%
	<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 point higher than the current rate:

Net Pension Liability			
Discount Rate			
Current Rate	1% lower	Current	1% greater
7.0%	\$ 11,484,045	\$9,040,477	\$ 6,988,706

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, 2023, 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, 2023:

Active employees	49
Inactives currently receiving benefits	<u>18</u>
Total	<u>67</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	5.80%
Single Equivalent Discount Rate	5.80%
Inflation	2.50%
Health Care Trend Rate	6.0%; trending down to 6.0%
Pre-Retirement Mortality - General and Public Safety Employees	RP-2014 Employees Mortality Table base year 2021 projected with generational mortality improvement using Scale BB
Post-Retirement Mortality - General and Public Safety Employees	RP-2014 Healthy Annuitant Mortality Table base year 2021 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 2023. 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, 2023, the Town's average contribution rate was 2.9% of covered-employee payroll.

Net OPEB Liability – The Town's net OPEB liability was measured as of June 30, 2023 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2022.

Discount Rate – The discount rate used to measure the total OPEB liability was 5.8% 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%	4.44%
Large cap growth stocks	24.00%	4.44%
International equity	9.00%	5.12%
Emerging equity	3.00%	6.29%
Short-term fixed income	10.00%	1.63%
Intermediate fixed income	27.50%	1.46%
	<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	
5.80%	\$ 645,851	\$ 215,860	\$ (135,804)	
Health Care Rate				
Current Rate	1% lower	Current	1% greater	
8.0% trending to 6.0%	\$ (199,479)	\$ 215,860	\$ 736,061	

Changes in the Net OPEB Liability (Asset) – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2023:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2022	\$ 2,907,896	\$ 2,564,519	\$ 343,377
Changes for the year:			
Service cost	124,959	-	\$ 124,959
Interest	179,357	-	179,357
Changes in assumptions	160,662	-	160,662
Difference between expected and actual experience	(283,551)	-	(283,551)
Employer contributions	-	87,137	(87,137)
Benefit payments withdrawn from trust	-	(87,137)	87,137
Net investment income	-	221,807	(221,807)
Benefit payments	(87,137)	-	(87,137)
Net changes	94,290	221,807	(127,517)
Balances at June 30, 2023	\$ 3,002,186	\$ 2,786,326	\$ 215,860

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2023, the Town recognized OPEB expense of \$213,312. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2023 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 301,764	\$ 8,528
Differences between actual and expected experience	41,202	405,868
Differences between expected and actual earnings	107,021	-
	<u>\$ 449,987</u>	<u>\$ 414,396</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,	
2024	\$ 69,576
2025	42,123
2026	56,253
2027	(65,043)
2028	(32,806)
thereafter	<u>(34,512)</u>
	<u>\$ 35,591</u>

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

Total OPEB Liability	\$	3,002,186
Plan fiduciary net position		<u>(2,786,326)</u>
Net OPEB liability	\$	<u>215,860</u>
Plan fiduciary net position as a percentage of the total OPEB liability		92.8%

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, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 8.65%. 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, 2023, 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, 2023.

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 May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement was 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 became effective for financial reporting periods beginning after December 15, 2021 (fiscal year 2023). The adoption of this standard did not have a material impact on the Town's 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 was to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. The provisions of this Statement became effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The adoption of this standard did not have a material impact on the Town's financial statements.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement was 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 became effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The adoption of this standard did not have a material impact on the Town's financial statements.

Future Year Implementations

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, *Compensated 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.

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TOWN OF WEST NEWBURY, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2023

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

(dollar amounts are in thousands)

Year Ended December 31,	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	1.950%	9,040	\$ 3,088	292.75%	57.6%
2021	1.960%	6,798	2,827	240.47%	67.0%
2020	1.908%	7,572	2,733	277.06%	59.7%
2019	1.969%	8,297	2,630	315.48%	55.5%
2018	1.969%	8,316	2,598	320.09%	51.9%
2017	1.823%	6,835	2,495	273.95%	55.4%
2016	1.888%	7,274	2,205	329.89%	51.1%
2015	1.853%	6,733	2,379	283.02%	51.0%
2014	1.906%	6,466	2,288	282.60%	52.3%

SCHEDULE OF THE TOWN CONTRIBUTIONS TO PENSION PLAN

(dollar amounts are in thousands)

Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	\$ 867	\$ 867	\$ -	\$ 3,120	27.79%
2022	779	779	-	2,869	27.15%
2021	737	737	-	2,774	26.57%
2020	707	707	-	2,669	26.48%
2019	687	687	-	2,637	26.05%
2018	594	594	-	2,532	23.46%
2017	572	572	-	2,238	25.56%
2016	656	656	-	2,415	27.17%
2015	509	509	-	2,322	21.92%

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, 2023**

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

	June 30						
	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability:							
Service cost	\$ 124,959	\$ 121,092	\$ 90,925	\$ 76,045	\$ 58,719	\$ 57,287	\$ 55,931
Interest	179,357	168,056	178,645	172,364	137,033	129,610	126,392
Difference between expected and actual experience	(283,551)	-	(261,637)	-	169,157	-	-
Changes in assumptions	160,662	(10,686)	(1,178)	278,802	207,010	-	-
Other	-	-	-	(56,374)	-	-	(58,609)
Benefit payments	(87,137)	(100,824)	(87,769)	(91,712)	(77,336)	(85,824)	(73,798)
Net change in total OPEB liability	94,290	177,638	(81,014)	379,125	494,583	101,073	49,916
Total OPEB liability - beginning of year	2,907,896	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>\$ 3,002,186</u>	<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	\$ 87,137	\$ 115,824	\$ 87,769	\$ 91,712	\$ 77,336	\$ 85,824	\$ 73,798
Net investment income	221,807	(305,703)	475,222	131,132	179,419	209,981	133,214
Benefit payments	(87,137)	(100,824)	(87,769)	(91,712)	(77,336)	(85,824)	(73,798)
Net change in Plan fiduciary net position	221,807	(290,703)	475,222	131,132	179,419	209,981	133,214
Plan fiduciary net position - beginning of year	2,564,519	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>\$ 2,786,326</u>	<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>\$ 215,860</u>	<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	92.81%	88.19%	104.58%	84.66%	92.46%	106.81%	101.25%
Covered-employee payroll	\$ 3,062,556	\$ 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	7.05%	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, 2023**

**SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS**

	June 30						
	2023	2022	2021	2020	2019	2018	2017
Actuarially-determined contribution	\$ 149,245	\$ 122,248	\$ 118,387	\$ 91,529	\$ -	\$ 59,869	\$ 121,807
Contributions in relation to the actuarially-determined contribution	(87,137)	(115,824)	(87,769)	(91,712)	(77,336)	(85,824)	(121,807)
Contribution deficiency (excess)	<u>\$ 62,108</u>	<u>\$ 6,424</u>	<u>\$ 30,618</u>	<u>\$ (183)</u>	<u>\$ (77,336)</u>	<u>\$ (25,955)</u>	<u>\$ -</u>
Covered-employee payroll	\$ 3,062,556	\$ 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	2.85%	3.82%	3.10%	3.40%	2.95%	3.23%	4.69%
Valuation Date	July 1, 2022						
Amortization Period	30 years						
Investment rate of return	5.80%						
Single Equivalent Discount Rate	5.80%						
Inflation	2.50%						
Healthcare cost trend rates	8.0% to 6.0%						
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						
	2023	2022	2021	2020	2019	2018	2017
investment expense	8.65%	-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, 2023**

	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	\$ 15,326,589	\$ 15,326,589	\$ 15,342,269		\$ 15,342,269	\$ 15,680
Intergovernmental	428,928	428,928	421,052		421,052	(7,876)
Motor vehicle and other excises	871,800	871,800	840,371		840,371	(31,429)
License and permits	197,162	197,162	269,646		269,646	72,484
Departmental and other revenue	239,532	239,532	340,375		340,375	100,843
Penalties and interest on taxes	55,000	55,000	43,730		43,730	(11,270)
Fines, Fees and forfeitures	12,000	12,000	9,738		9,738	(2,262)
Investment income	14,000	14,000	112,495		112,495	98,495
Total Revenues	17,145,011	17,145,011	17,379,676		17,379,676	234,665
EXPENDITURES						
General government	2,060,898	2,138,398	1,355,133	\$ 384,444	1,739,577	398,821
Public safety	2,159,197	2,184,197	2,022,352	17,684	2,040,036	144,161
Education	9,441,245	9,441,245	9,441,244	-	9,441,244	1
Public works	2,465,056	2,579,434	1,449,429	1,109,833	2,559,262	20,172
Health and human services	743,984	743,984	730,263	797	731,060	12,924
Culture and recreation	442,694	457,079	441,464	2,781	444,245	12,834
Fringe Benefits	1,340,262	1,340,262	1,285,216	-	1,285,216	55,046
State and county tax assessments	84,882	84,882	86,262	-	86,262	(1,380)
Debt service	300,900	300,900	297,950	-	297,950	2,950
Total Expenditures	19,039,118	19,270,381	17,109,313	\$ 1,515,539	18,624,852	645,529
OTHER FINANCING SOURCES (USES)						
Transfers in	839,679	839,679	1,277,204		1,277,204	437,525
Transfers out	(550,000)	(550,000)	(997,507)		(997,507)	(447,507)
Total Other Financing Sources (Uses)	289,679	289,679	279,697		279,697	(9,982)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE	(1,604,428)	(1,835,691)	\$ 550,060		\$ (965,479)	\$ 870,212
Other Budgetary Items:						
Undesignated surplus (free cash)	\$ 570,442	\$ 801,705				
Prior year encumbrances	1,027,094	1,027,094				
Miscellaneous	6,892	6,892				
Total Other Budgetary Items	1,604,428	1,835,691				
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, 2023

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 Select Board 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, 2023, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 17,379,676
Enterprise Fund indirect costs reported as expenditures	\$ (53,954)	\$ -	(53,954)
Stabilization investment income	-	23,757	23,757
Revenues on a GAAP basis	<u>\$ (53,954)</u>	<u>\$ 23,757</u>	<u>\$ 17,349,479</u>
Expenditures on a budgetary basis			\$ 17,109,271
Enterprise Fund indirect costs reported as expenditures	\$ (53,954)	\$ -	(53,954)
Expenditures on a GAAP basis	<u>\$ (53,954)</u>	<u>\$ -</u>	<u>\$ 17,055,317</u>
Other financing sources (uses) on a budgetary basis			\$ 239,697
Stabilization transfers, net	\$ -	\$ (235,725)	(235,725)
Other financing sources (uses) on a GAAP basis	<u>\$ -</u>	<u>\$ (235,725)</u>	<u>\$ 3,972</u>