

**TOWN OF NEWBURY, MASSACHUSETTS**

**Financial Statements**

**June 30, 2022**

**(With Accountants' Report Thereon)**

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Town of Newbury, Massachusetts  
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INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS –  
TOWN OF NEWBURY

Board of Selectmen  
Town of Newbury  
12 Kent Way  
Suite 101  
Byfield, MA 01922

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the governmental activities and business type activities, each major fund, and the aggregate remaining fund information of the Town of Newbury as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Newbury's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and business type activities, each major fund, and the aggregate remaining fund information of the Town of Newbury, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

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

***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 of Newbury's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Newbury'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 of Newbury'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, the budgetary comparison information, and the retirement system schedules, and the other post employment benefit schedules listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2023, on our consideration of the Town of Newbury's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Newbury's internal control over financial reporting and compliance.

***James J Giusti, CPA, PC***

James J Giusti, CPA, PC  
Certified Public Accountant  
Georgetown, Massachusetts  
March 13, 2023

**Town of Newbury, Massachusetts**  
**Management's Discussion and Analysis**  
**Required Supplementary Information**  
**June 30, 2022**

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

**Financial Highlights**

- The assets and deferred outflows of the Town of Newbury, Massachusetts exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$58,306,160 (*net position*).
- The Town's total net position increased by \$2,093,245 or 3.7 % in fiscal year 2022 (not including the effect of the prior period adjustment). The Governmental Activities increased by \$1,945,213 or 3.5 % and the Business Type Activities increase by \$148,032 or 17.1 %.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,901,840, or 18.1 % of total general fund expenditures.

**Overview of the Financial Statements**

The discussion and analysis are intended to serve as an introduction of the Town of Newbury, Massachusetts' basic financial statements. The Town of Newbury, Massachusetts' basic financial statements consists of the following: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Newbury, Massachusetts' finances, in a manner similar to private-sector business.

The *Statement of Net Position* presents information on all of the Town of Newbury, Massachusetts' assets/deferred outflows and liabilities/deferred inflows, with the differences 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 of Newbury, Massachusetts 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 of 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).

Government-wide financial statements have a separate column for governmental activities and for business type activities (when applicable). The Town's activities are classified as follows:

- **Governmental Activities** – Activities reported here include education, public safety, public works, library and general administration. Property taxes, motor vehicle excise taxes, federal, state and other local revenues finance these activities.
- **Business-Type Activities** – Activities here are used to account for ambulance services.

**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 of Newbury, Massachusetts, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Town of Newbury, Massachusetts are classified as governmental funds and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* 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. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

**Proprietary funds.** The Town of Newbury, Massachusetts maintains one proprietary (enterprise) fund type. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town of Newbury, Massachusetts uses the enterprise fund to account for its ambulance services.

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 enterprise fund. The ambulance fund is considered a major fund of the Town of Newbury, Massachusetts.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements 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. The Town maintains fiduciary funds to account for activities related to its Other Post Employment Benefits (OPEB) trust funds. The OPEB Trust Fund is used to accumulate resources to provide funding for future OPEB liabilities.

## Notes to the Financial Statements

The notes provide additional information that is necessary to acquire 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 *required supplementary information* concerning the Town of Newbury, Massachusetts' progress in funding its obligation to provide pension and OPEB benefits to its employees. The *required supplementary information* also includes budget versus actual information.

## Reconciliation of Government-wide Financial Statements to Fund Financial Statements

The governmental activities of the government-wide financial statements and the governmental funds of the fund financial statements do not use the same accounting basis and measurement focus. Capital assets and long-term liabilities are not included on the balance sheet of the governmental funds but are included on the Statement of Net Position. Capital assets are recorded as expenditures when they are purchased in the governmental funds and depreciated over the useful life in the government-wide financial statements.



We have included the following schedules that provide a crosswalk from the government-wide financial statements to the governmental funds of the fund financial statements:

- Reconciliation of the governmental funds balance sheet – total fund balances to the Statement of Net Position.
- Reconciliation of the statement of revenues and expenditures and changes in fund balance of the governmental funds to the statement of activities.

A reconciliation of government-wide financial statements to enterprise funds of the fund financial statements is not necessary. The business-type activities of the government-wide financial statements and the enterprise funds use the same accounting basis and measurement focus.

## Financial Analysis of the Government-wide Financial Statements

### Net Position

Net position may serve over time as a useful indicator of a government's financial position. However, the net position of governmental activities should be viewed independently from business-type activities. Resources of the governmental activities are not, typically, used to finance costs related to business-type activities. Revenues of the business-type activities are generally used only to finance the operations of the Ambulance Enterprise Fund.

The following table reflects the condensed net position for the past two fiscal years.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current and Other Assets	\$ 19,526,317	\$ 17,704,312	\$ 796,572	\$ 613,888	\$ 20,322,889	\$ 18,318,200
Capital Assets	68,943,583	69,966,090	218,532	253,184	69,162,115	70,219,274
Total Assets	<u>88,469,900</u>	<u>87,670,402</u>	<u>1,015,104</u>	<u>867,072</u>	<u>89,485,004</u>	<u>88,537,474</u>
Deferred Outflow of Resources	<u>2,463,745</u>	<u>1,341,827</u>	<u>-</u>	<u>-</u>	<u>2,463,745</u>	<u>1,341,827</u>
Current Liabilities	\$ 1,929,569	\$ 2,111,571	\$ -	\$ -	\$ 1,929,569	\$ 2,111,571
Long Term Liabilities	<u>26,287,931</u>	<u>28,583,226</u>	<u>-</u>	<u>-</u>	<u>26,287,931</u>	<u>28,583,226</u>
Total Liabilities	<u>28,217,500</u>	<u>30,694,797</u>	<u>-</u>	<u>-</u>	<u>28,217,500</u>	<u>30,694,797</u>
Deferred Inflow of Resources	<u>4,409,985</u>	<u>2,152,113</u>	<u>-</u>	<u>-</u>	<u>4,409,985</u>	<u>2,152,113</u>
Net Position:						
Net Investment in Capital Assets	59,412,127	60,129,941	218,532	253,184	59,630,659	60,383,125
Restricted	5,170,251	3,410,711	40,000	-	5,210,251	3,410,711
Unrestricted	<u>(6,276,218)</u>	<u>(7,375,333)</u>	<u>756,572</u>	<u>613,888</u>	<u>(5,519,646)</u>	<u>(6,761,445)</u>
Total Net Position	<u>\$ 58,306,160</u>	<u>\$ 56,165,319</u>	<u>\$ 1,015,104</u>	<u>\$ 867,072</u>	<u>\$ 59,321,264</u>	<u>\$ 57,032,391</u>

### Changes in Net Position

The following condensed financial information was derived from the government-wide Statement of Activities. It reflects how the Town's net position has changed during the fiscal year.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 1,124,392	\$ 1,006,422	\$ 417,729	\$ 343,989	\$ 1,542,121	\$ 1,350,411
Operating Grants and Contributions	1,995,741	855,789	-	-	1,995,741	855,789
Capital Grants and Contributions	258,015	123,382	-	-	258,015	123,382
General Revenues:						
Property Taxes	18,555,166	18,050,608	-	-	18,555,166	18,050,608
Motor Vehicle and Other Excises	1,216,371	1,234,382	-	-	1,216,371	1,234,382
Intergovernmental Not Restricted to a Specific Program	1,005,106	1,110,443	-	-	1,005,106	1,110,443
Other	243,493	653,033	-	-	243,493	653,033
<b>Total Revenues</b>	<u>24,398,284</u>	<u>23,034,059</u>	<u>417,729</u>	<u>343,989</u>	<u>24,816,013</u>	<u>23,378,048</u>
<b>Expenses</b>						
General Government	2,668,236	2,497,139	-	-	2,668,236	2,497,139
Public Safety	3,449,754	3,132,122	210,651	207,623	3,660,405	3,339,745
Education	11,142,803	10,893,757	-	-	11,142,803	10,893,757
Intergovernmental	142,886	153,077	-	-	142,886	153,077
Highways and Public Works	2,030,253	2,032,490	-	-	2,030,253	2,032,490
Human Services	608,737	318,843	-	-	608,737	318,843
Culture and Recreation	311,091	472,164	-	-	311,091	472,164
Employee Benefits	1,888,620	1,899,271	-	-	1,888,620	1,899,271
Other	12,652	13,371	-	-	12,652	13,371
Debt Service	272,703	403,282	-	-	272,703	403,282
<b>Total Expenses</b>	<u>22,527,735</u>	<u>21,815,516</u>	<u>210,651</u>	<u>207,623</u>	<u>22,738,386</u>	<u>22,023,139</u>
Increase (Decrease) in Net Position Before Special items	1,870,549	1,218,543	207,078	136,366	2,077,627	1,354,909
Special Items and Transfers	74,664	81,021	(59,046)	(57,692)	15,618	23,329
Increase (Decrease) in Net Position	<u>\$ 1,945,213</u>	<u>\$ 1,299,564</u>	<u>\$ 148,032</u>	<u>\$ 78,674</u>	<u>\$ 2,093,245</u>	<u>\$ 1,378,238</u>

#### **Governmental Activities**

In fiscal year 2022, property taxes accounted for approximately 76.1% of the Town's revenues.

### ***Financial Analysis of the Town's Funds***

#### **Governmental Funds**

The focus of the Town of Newbury, Massachusetts'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 of Newbury, Massachusetts' financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Town of Newbury, Massachusetts itself, or a group or individual that has been delegated authority to assign resources for use for purposes by the Town of Newbury, Massachusetts' Selectmen.

Based upon the balance sheet as of the close of each fiscal year, the Commonwealth of Massachusetts Department of Revenue (DOR) determines the amount of general fund balance available for appropriation. In general, this amount (commonly known as "free cash") is generated when actual revenues on a cash basis exceed budgeted amounts and expenditures and encumbrances (unpaid commitments) are less than appropriations, or both.

The following table reflects the trend in all the components of fund balance and details the certified free cash.

**Changes in Fund Balances  
General Fund**

<u>Fiscal Year</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Total</u>	
					<u>Fund Balance</u>	<u>Free Cash</u>
2012	-	\$ -	\$ 169,514	\$ 1,292,395	\$ 1,461,909	\$ 959,003
2013	-	-	370,649	1,364,930	1,735,579	848,263
2014	-	-	221,554	2,568,083	2,789,637	1,591,092
2015	-	-	338,384	2,731,722	3,070,106	2,076,506
2016	-	-	1,455,337	2,657,342	4,112,679	1,929,148
2017	-	-	1,639,789	2,396,733	4,036,522	1,499,298
2018	-	-	1,595,023	2,868,021	4,463,044	1,599,349
2019	-	-	832,999	3,944,963	4,777,962	2,803,520
2020	-	1,762,988	112,489	4,662,784	6,538,261	3,232,957
2021	-	2,562,744	5,000	5,727,230	8,294,974	4,931,255
2022	-	5,138,641	-	3,901,840	9,040,481	3,466,324

**General Fund Budgetary Highlights**

Positive budgetary variances occurred in substantially all revenue and expenditure categories.

**Proprietary Funds**

**Ambulance Enterprise.** The Town of Newbury, Massachusetts' proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Ambulance fund at the end of the fiscal year was \$756,572. Unrestricted net position increased by \$142,684 or 23.2 %. The total net position at the end of the fiscal year was \$1,015,104. Total net position increased by \$148,032 or 17.1 %.

**Capital Asset and Debt Administration**

**Capital Assets.** The Town of Newbury, Massachusetts' investments in capital assets as of June 30, 2022, amounts to \$68,943,583 (net of accumulated depreciation/amortization). This investment in capital assets includes land, buildings, improvements, infrastructure, equipment, and vehicles.

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Land	\$ 12,337,046	\$ 12,337,046	\$ -	\$ -	\$ 12,337,046	\$ 12,337,046
Construction in Progress	1,291,255	879,379	-	-	1,291,255	879,379
Buildings	20,668,272	21,293,931	-	-	20,668,272	21,293,931
Improvements Other Than Buildings	243,545	261,749	-	-	243,545	261,749
Leased Buildings and Equipment	1,520,000	-	-	-	1,520,000	-
Infrastructure	31,346,740	31,749,154	-	-	31,346,740	31,749,154
Equipment	897,481	1,124,638	-	-	897,481	1,124,638
Vehicles	639,244	2,320,193	218,533	253,184	857,777	2,573,377
Total	<u>\$ 68,943,583</u>	<u>\$ 69,966,090</u>	<u>\$ 218,533</u>	<u>\$ 253,184</u>	<u>\$ 69,162,116</u>	<u>\$ 70,219,273</u>

## Debt

The Town had \$12,431,803 in bonds outstanding (including unamortized premiums) on June 30, 2022. The long-term debt decreased by \$862,514 during the fiscal year ended June 30, 2022. The decrease is the result of the normal retirement of general obligation bonds and amortization of the related premiums.

<b>Governmental Activities</b>	<b><u>2022</u></b>	<b><u>2021</u></b>
General Obligation Bonds Payable	<u>\$ 12,431,803</u>	<u>\$ 13,294,317</u>

## Fiscal Year 2022 Budget

An initiative state statute, commonly known as “Proposition 2 ½”, limits the amount of property taxes that the Town can assess in any one year. In general, the Town’s property tax levy may increase by 2 ½ percent over the prior year’s tax levy, plus any additional amount derived by new developments or other changes made to existing properties. If a community wishes to levy taxes above the limitations imposed by “Proposition 2 ½”, it is necessary to obtain the approval of a majority of the voters at an election.

## Request for Information

The financial report is designed to provide a general overview of the Town of Newbury, Massachusetts’ finances for all those with an interest in the government finances. Questions concerning any of the information provided in this report or requests for additional financial information should be address to:

Town of Newbury  
Finance Department  
12 Kent Way  
Suite 101  
Byfield, MA 01922

Town of Newbury, Massachusetts  
Statement of Net Position  
June 30, 2022  
(Continued on Page 11)

	Governmental <u>Activities</u>	Business - Type <u>Activities</u>	Government-Wide <u>Total</u>
<b>Assets</b>			
Current:			
Cash/Investments	\$ 14,319,561	\$ 289,061	\$ 14,608,622
Accounts Receivable:			
Property Taxes	79,165	-	79,165
Tax Liens	53,515	-	53,515
Excises	133,930	-	133,930
User Charges	-	507,511	507,511
Other	5,793	-	5,793
Intergovernmental	443,765	-	443,765
Special Assessments	3,969,104	-	3,969,104
Tax Foreclosures	54,013	-	54,013
Noncurrent:			
Accounts Receivable:			
Deferred Special Assessments	3,393	-	3,393
Right-to-use leased assets, net of accumulated amortization	464,078		464,078
Capital and Leased Assets:			
Assets Not Being Depreciated/Amortized	13,628,301	-	13,628,301
Assets Being Depreciated/Amortized, Net	55,315,282	218,532	55,533,814
Total Assets	<u>88,469,900</u>	<u>1,015,104</u>	<u>89,485,004</u>
Deferred Outflow of Resources			
Pension	1,094,863	-	1,094,863
OPEB	1,368,882	-	1,368,882
Total Deferred Outflow of Resources	<u>2,463,745</u>	<u>-</u>	<u>2,463,745</u>
Total Assets and Deferred Outflow of Resources	<u>90,933,645</u>	<u>1,015,104</u>	<u>91,948,749</u>
<b>Liabilities</b>			
Current:			
Warrants Payable	383,462	-	383,462
Accrued Salaries Payable	165,119	-	165,119
Other Liabilities	103,635	-	103,635
Lease Payable	416,855	-	416,855
Accrued Interest	86,601	-	86,601
Compensated Absences Payable	97,124	-	97,124
Bonds Payable	676,773	-	676,773
Noncurrent:			
Bonds Payable	11,755,030	-	11,755,030
Lease Payable	1,119,373	-	1,119,373
Net Pension Liability	7,421,858	-	7,421,858
Net Other Post Employment Benefits Liability	5,463,432	-	5,463,432
Landfill Postclosure Costs Payable	528,238	-	528,238
Total Liabilities	<u>28,217,500</u>	<u>0</u>	<u>28,217,500</u>

Town of Newbury, Massachusetts  
Statement of Net Position  
June 30, 2022  
(Continued from Page 10)

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Government-Wide Total</u>
Deferred Inflow of Resources			
Pension	1,877,019	-	1,877,019
OPEB	2,532,966	-	2,532,966
Total Deferred Inflow of Resources	<u>4,409,985</u>	<u>-</u>	<u>4,409,985</u>
 Total Liabilities and Deferred Inflow of Resources	 <u>32,627,485</u>	 <u>0</u>	 <u>32,627,485</u>
 <b>Net Position</b>			
Net Investment in Capital Assets	59,412,127	218,532	59,630,659
Restricted for:			
Capital Projects and Other Items	441,276	40,000	481,276
Debt Service	1,679,956	-	1,679,956
Special Revenue	2,839,779	-	2,839,779
Perpetual Funds:			
Nonexpendable	209,240	-	209,240
Unrestricted (Deficit)	<u>(6,276,218)</u>	<u>756,572</u>	<u>(5,519,646)</u>
Total Net Position	<u><u>\$ 58,306,160</u></u>	<u><u>\$ 1,015,104</u></u>	<u><u>\$ 59,321,264</u></u>

Town of Newbury, Massachusetts  
Statement of Activities  
Fiscal Year Ended June 30, 2022

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
			Operating	Capital		Business	
		Charges for	Grants and	Grants and	Governmental	Type	
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Services</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
<i>Governmental Activities:</i>							
General Government	\$ 2,668,236	\$ 350,589	\$ -	\$ -	\$ (2,317,647)	\$ -	\$ (2,317,647)
Public Safety	3,449,754	567,425	100,623	-	(2,781,706)	-	(2,781,706)
Education	11,142,803	-	-	-	(11,142,803)	-	(11,142,803)
Intergovernmental	142,886	-	-	-	(142,886)	-	(142,886)
Highways and Public Works	2,030,253	3,928	753,740	258,015	(1,014,570)	-	(1,014,570)
Human Services	608,737	82,109	939,491	-	412,863	-	412,863
Culture and Recreation	311,091	120,341	18,623	-	(172,127)	-	(172,127)
Employee Benefits	1,888,620	-	-	-	(1,888,620)	-	(1,888,620)
Debt Service	272,703	-	183,264	-	(89,439)	-	(89,439)
Total Governmental Activities	<u>\$ 22,527,735</u>	<u>\$ 1,124,392</u>	<u>\$ 1,995,741</u>	<u>\$ 258,015</u>	<u>(19,149,587)</u>	<u>-</u>	<u>(19,149,587)</u>
<i>Business Type Activities:</i>							
Ambulance	210,651	417,729	-	-	-	207,078	207,078
Total Business-Type Activities	<u>210,651</u>	<u>417,729</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>207,078</u>	<u>207,078</u>
Total	<u>\$ 22,738,386</u>	<u>\$ 1,542,121</u>	<u>\$ 1,995,741</u>	<u>\$ 258,015</u>	<u>(19,149,587)</u>	<u>207,078</u>	<u>(18,942,509)</u>
<i>General Revenues:</i>							
Property Taxes					18,555,166	-	18,555,166
Motor Vehicle and Other Excise Taxes					1,216,371	-	1,216,371
Penalties and Interest on Taxes					26,568	-	26,568
In Lieu of Tax Payments					46,883	-	46,883
Intergovernmental					1,005,106	-	1,005,106
Interest and Investment Income					26,111	-	26,111
Fines and Forfeits					84,843	-	84,843
Miscellaneous Revenue					59,088	-	59,088
Transfer In (Out)					74,664	(59,046)	15,618
Total General Revenues, Special Items and Transfers					<u>21,094,800</u>	<u>(59,046)</u>	<u>21,035,754</u>
Change in Net Position					1,945,213	148,032	2,093,245
Net Position:							
Beginning of the Year					<u>56,165,319</u>	<u>867,072</u>	<u>57,032,391</u>
Prior Period Adjustment					<u>195,628</u>	<u>-</u>	<u>195,628</u>
Beginning of the Year (As Restated)					<u>56,360,947</u>	<u>867,072</u>	<u>57,228,019</u>
End of the Year					<u>\$ 58,306,160</u>	<u>\$ 1,015,104</u>	<u>\$ 59,321,264</u>

Town of Newbury, Massachusetts  
Governmental Funds  
Balance Sheet  
June 30, 2022

	<u>General</u>	<u>Betterment</u>	<u>Police Station Town Hall Renovation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Cash/Investments	\$ 9,489,438	\$ 1,679,956	\$ 441,276	\$ 2,708,891	\$ 14,319,561
Accounts Receivable:					
Property Taxes	79,165			-	79,165
Tax Liens	53,515			-	53,515
Excises	133,930			-	133,930
Other		2,198		3,595	5,793
Intergovernmental				443,765	443,765
Special Assessments Added to Tax		3,969,104		-	3,969,104
Special Assessments Not Yet Due		3,393		-	3,393
Tax Foreclosures	54,013			-	54,013
Total Assets	<u>\$ 9,810,061</u>	<u>\$ 5,654,651</u>	<u>\$ 441,276</u>	<u>\$ 3,156,251</u>	<u>\$ 19,062,239</u>
Liabilities, Deferred Inflows of Resources and Fund Balances:					
Liabilities:					
Warrants Payable	\$ 383,462	\$ -	\$ -	\$ -	\$ 383,462
Accrued Salaries Payable	165,119	-	-	-	165,119
Other Liabilities		-		103,635	103,635
Total Liabilities	<u>548,581</u>	<u>-</u>	<u>-</u>	<u>103,635</u>	<u>652,216</u>
Deferred Inflows of Resources:					
Unavailable Revenues	<u>220,999</u>	<u>3,974,695</u>	<u>-</u>	<u>447,362</u>	<u>4,643,056</u>
Total Deferred Inflows of Resources	<u>220,999</u>	<u>3,974,695</u>	<u>-</u>	<u>447,362</u>	<u>4,643,056</u>
Fund Equity:					
Fund Balances:					
Nonspendable				209,240	209,240
Restricted	-	1,679,956	441,276	2,496,363	4,617,595
Committed	5,138,641	-	-	-	5,138,641
Unassigned	<u>3,901,840</u>	<u>-</u>	<u>-</u>	<u>(100,349)</u>	<u>3,801,491</u>
Total Fund Balances	<u>9,040,481</u>	<u>1,679,956</u>	<u>441,276</u>	<u>2,605,254</u>	<u>13,766,967</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 9,810,061</u>	<u>\$ 5,654,651</u>	<u>\$ 441,276</u>	<u>\$ 3,156,251</u>	<u>\$ 19,062,239</u>



Town of Newbury, Massachusetts  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Fiscal Year Ended June 30, 2022

	<u>General</u>	<u>Betterment</u>	<u>Police Station Town Hall Renovation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues:</u>					
Property Taxes	\$ 18,532,403			\$ -	\$ 18,532,403
Excises	1,265,111			-	1,265,111
Penalties and Interest	33,321			-	33,321
Fees and Other Departmental	912,552			482,604	1,395,156
Intergovernmental	1,005,106			1,427,297	2,432,403
Fines and Forfeits	84,843			-	84,843
Earnings on Investments	26,111			(3,754)	22,357
Special Assessments		747,133		-	747,133
In Lieu of Taxes	46,883			-	46,883
Miscellaneous	68,043			-	68,043
Total Revenues	<u>21,974,373</u>	<u>747,133</u>	<u>-</u>	<u>1,906,147</u>	<u>24,627,653</u>
<u>Expenditures:</u>					
General Government	2,315,455	-	-	248,150	2,563,605
Public Safety	2,743,844	-	7,633	182,114	2,933,591
Education	10,748,661	-	-	-	10,748,661
Highways and Public Works	1,379,068	-	-	155,170	1,534,238
Human Services	348,950	-	-	257,034	605,984
Culture and Recreation	371,207	-	-	138,712	509,919
Intergovernmental	142,886	-	-	-	142,886
Employee Benefits	2,239,124	-	-	-	2,239,124
Capital Outlay		12,652	-	-	12,652
Lease Right-of-use Asset	503,153				503,153
Lease Payment	478,978				478,978
Debt Service	1,177,976	-	-	-	1,177,976
Total Expenditures	<u>22,449,302</u>	<u>12,652</u>	<u>7,633</u>	<u>981,180</u>	<u>23,450,767</u>
Excess of Revenues Over (Under) Expenditures	<u>(474,929)</u>	<u>734,481</u>	<u>(7,633)</u>	<u>924,967</u>	<u>1,176,886</u>
<u>Other Financing Sources (Uses):</u>					
Transfers In	717,283	-	-	9,996	727,279
Transfers (Out)		(571,168)	-	(81,447)	(652,615)
Capital Lease Financing	503,153	-	-	-	503,153
Total Other Financing Sources (Uses)	<u>1,220,436</u>	<u>(571,168)</u>	<u>-</u>	<u>(71,451)</u>	<u>577,817</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	745,507	163,313	(7,633)	853,516	1,754,703
Fund Balance, Beginning	<u>8,294,974</u>	<u>1,516,643</u>	<u>448,909</u>	<u>1,751,738</u>	<u>12,012,264</u>
Fund Balance, Ending	<u>\$ 9,040,481</u>	<u>\$ 1,679,956</u>	<u>\$ 441,276</u>	<u>\$ 2,605,254</u>	<u>\$ 13,766,967</u>

Town of Newbury, Massachusetts  
Reconciliation of the Governmental Funds Balance Sheet  
Total Fund Balances to the Statement of Net Position  
June 30, 2022

Total governmental fund balances	\$ 13,766,967
Capital and Leased assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	68,943,583
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	5,107,134
Certain changes in the net pension and OPEB liabilities are required to be reported as expenses in future periods. These changes are reported as deferred outflows/deferred inflows of resources.	
Deferred Outflows of Resources - Pensions	1,094,863
Deferred Inflows of Resources - Pensions	(1,877,019)
Deferred Outflows of Resources - OPEB	1,368,882
Deferred Inflows of Resources - OPEB	(2,532,966)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Bonds Payable	(12,431,803)
Lease Payable	(1,536,228)
Accrued Interest Payable	(86,601)
Compensated Absences Payable	(97,124)
Net Pension Liability	(7,421,858)
Other Post Employment Benefits Payable	(5,463,432)
Landfill Accrued Liabilities	(528,238)
Net Position of Governmental Activities	<u>\$ 58,306,160</u>

Town of Newbury, Massachusetts  
Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
June 30, 2022

Net change in fund balances - total governmental funds \$ 1,754,703

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/amortization expense. This is the change related to that activity.

Capital Assets Acquired	21	
Leased Assets Aquired	503,153	
Depreciation/Amortization	<u>(1,260,669)</u>	
Net Effect of Reporting Capital/Leased Assets		(757,495)

Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue. (229,368)

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal Payments on Bonds	862,514	
Capital Lease Issued	(503,153)	
Lease Principal Payments	<u>422,717</u>	
Net Effect of Reporting Long Term Debt		782,078

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. This represents the difference in those items from the prior year.

Net Pension Liability and Deferred Outflows/Inflows Related to Pensions	(48,486)	
Accrued Interest Payable	6,769	
Landfill Liability Payable	35,990	
Net OPEB Liability and Deferred Outflows/Inflows Related to OPEB	398,990	
Compensated Absence Payable	<u>2,032</u>	
Net Effect of Reporting Long-Term Liabilities		<u>395,295</u>

Change in net position of governmental activities \$ 1,945,213

Town of Newbury, Massachusetts  
Proprietary Funds  
Statement of Net Position  
June 30, 2022

	<u>Ambulance</u>
<b>Assets</b>	
Current:	
Cash and Investments	\$289,061
Receivables, Net of Allowance for Uncollectibles:	
User Charges	507,511
Noncurrent:	
Assets Being Depreciated, Net	<u>218,532</u>
Total Assets	<u>1,015,104</u>
<b>Liabilities</b>	
Current:	
Other Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
<b>Net Position</b>	
Net Investment in Capital Assets	218,532
Restricted for:	
Reserved for Expenditure	40,000
Unrestricted	<u>756,572</u>
Total Net Position	<u><u>\$1,015,104</u></u>

Town of Newbury, Massachusetts  
Statement of Revenue, Expenses and Changes in Fund Net Position  
Proprietary Funds  
Fiscal Year Ended June 30, 2022

	<u>Ambulance</u>
Operating Revenues:	
Charges for Services	<u>\$417,729</u>
Total Operating Revenues	<u>417,729</u>
Operating Expenditures:	
General Services	175,999
Depreciation	<u>34,652</u>
Total Operating Expenditures	<u>210,651</u>
Operating Income	<u>207,078</u>
Other Financing Sources (Uses):	
Transfers Out	<u>(59,046)</u>
Total Other Financing Sources (Uses)	<u>(59,046)</u>
Net Income	<u>148,032</u>
Total Net Position Beginning	<u>867,072</u>
Total Net Position Ending	<u><u>\$1,015,104</u></u>

Town of Newbury, Massachusetts  
Statement of Cash Flows  
Proprietary Fund  
Fiscal Year Ended June 30, 2022

	<u>Ambulance</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$321,666
Payments to Employees and Others	<u>(175,999)</u>
Net Cash Flows Provided (Used) by Operating Activities	<u>145,667</u>
Cash Flows from Non Capital Related Financing Activities:	
Transfer to Other Funds	<u>(59,046)</u>
Net Cash Flows Provided (Used) by Non Capital Related Financing Activities	<u>(59,046)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	86,621
Cash and Cash Equivalents, Beginning	<u>202,440</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 289,061</u></u>
Reconciliation of Net Income to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ 207,078
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	34,652
(Increase) Decrease in Assets:	
Accounts Receivable - Customer	<u>(96,063)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 145,667</u></u>

Town of Newbury, Massachusetts  
Statement of Fiduciary Net Position  
Fiduciary Funds  
Fiscal Year Ended June 30, 2022

	Other Post Employment Benefits <u>Trust</u>
<b>Assets</b>	
Cash and Deposits	\$ 200,000
Investments:	
Domestic Equities	\$ 291,213
International Equity	122,999
Domestic Bond	165,611
International Bond	31,887
Alternatives	42,738
Cash and Equivalents	<u>150</u>
 Total Assets	 \$ 854,598
 <b>Liabilities</b>	 \$ -
 Total Liabilities	 <u>-</u>
 <b>Net Position Restricted for Post Employment Benefits Other than Pensions</b>	 \$ 854,598

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

	Other Post Employment Benefits <u>Trust</u>
Additions:	
Contributions:	
Employer	\$ 696,267
Total Contributions	<u>696,267</u>
Investment Earnings:	
Interest, Dividends and Other	<u>(124,139)</u>
Net Investment Earnings ( loss )	<u>(124,139)</u>
Total Additions	<u>572,128</u>
Deductions:	
Medical, Dental and Life Insurance for Retirees	<u>296,267</u>
Total Deductions	<u>296,267</u>
Net Increase (Decrease) in Fiduciary Net Position	<u>275,861</u>
Net Position:	
Beginning of the Year	<u>578,737</u>
Ending of the Year	<u><u>\$ 854,598</u></u>



Town of Newbury, Massachusetts  
Notes to the Financial Statements  
June 30, 2022

**I Summary of Significant Accounting Policies**

The accounting policies of the Town of Newbury, Massachusetts, as reflected in the accompanying financial statements for the year ended June 30, 2022, conform to accounting principles generally accepted in the United States of America for local government units, except as indicated hereafter.

The more significant accounting policies of the Town are summarized below.

**(A) Reporting Entity**

The Town's basic financial statements include the operations of all organizations for which the Board of Selectmen exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Based on the aforementioned oversight criteria, the Town was the only entity included in the accompanying basic financial statements.

**(B) Government-Wide and Fund Financial Statements**

**Government-Wide Financial Statements**

The **government-wide financial statements** (i.e., the **statement of net position** and the **statement of activities**) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of the interfund activity has been removed from these statements. Government activities are supported by taxes and intergovernmental revenues.

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

**Fund Financial Statements**

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

## *Major Fund Criteria*

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

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

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) Pensions

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

### (D) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

#### Government-Wide Financial Statements

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

#### Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. These revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Primary sources of revenue considered susceptible to accrual consist principally of real estate and personal property taxes, motor vehicle excise tax, amounts due under grants, charges for services and investment income. Property taxes are recognized as revenue in the year for which taxes have been levied, provided they are collected within 60 days after year end. All other revenues are recognized when received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated vacation, accumulated sick pay, and other employee amounts which are not to be liquidated from expendable and available resources; and (2) debt service expenditures which are recognized when due.

The Town reports the following major governmental funds:

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

**Betterment Fund** – This special revenue fund is used to capture the betterment accounts receivable and related revenues and fund balances. The revenues in the betterment fund are utilized to pay betterment related debt service costs.

**Police Station – Town Hall Renovation Fund** – This capital project fund is used to report the activity related to renovating the police station and town hall.

The nonmajor governmental funds consists 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 types are funds that are included in the nonmajor category:

The special revenue fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

The permanent fund is used to account for and report financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports the following proprietary fund:

**Ambulance Fund** – used to account for the activity related to Ambulance Services.

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

The private-purpose trust fund is used to report all fiduciary activities that (a) are not required to be reported in pension (and other employee benefit) trust funds or investment trust funds and (b) are held in a trust that have one or more of the following characteristics: (1) The assets are (a) administered through a trust in which the government itself is not a beneficiary, (b) dedicated to providing benefits to recipients in accordance with the benefit terms, and (c) legally protected from the creditors of the government. (2) The assets are for the benefit of

individuals and the government does not have administrative involvement with the assets or direct financial involvement with the assets. In addition, the assets are not derived from the government's provision of goods or services to those individuals.

The following fiduciary fund types are reported:

The other postemployment benefit trust fund is used to accumulate resources for future other postemployment benefits (OPEB) liabilities.

(E) Assets, Deferred Outflows/Inflows of Resources, Liabilities and Net Position or Equity

i Deposits and Investments

The Town's cash and cash equivalents are considered to be demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain prescribed levels without collateralization by the financial institutions involved. Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase, and units in the Massachusetts Depository Trust ('MMDT').

Also, certain governmental funds (primarily trust funds) have broader investment powers which allow investments in common stocks, corporate bonds and other types of investments.

ii Property Taxes

The Town's fiscal year runs from July 1 to June 30. Taxes are levied to the owner of record on the preceding January 1. The Town bills property taxes on a quarterly basis. Quarterly payments are due on August 1, November 1, February 1 and May 1. Property taxes attach as enforceable liens on property as of July 1 of the next fiscal year.

The Town is permitted under state law to levy property taxes up to 2.5% of the full and fair cash value of the property. In addition, the law limits the amount by which the total property tax assessment can be increased to 2.5% of the preceding year's levy plus any new growth.

iii Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Equipment	5-20
Improvements	20
Infrastructure	20-50
Vehicles	5-20

iv. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and the balance sheet 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.

In addition to liabilities, the statement of net position and the balance sheet 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's governmental fund financial statements (balance sheet) reflect deferred inflows of resources for revenues that are not considered "available". The government wide financial statements (statement of net position) reflect deferred inflows and outflows of resources related to pensions and to other post-employment benefits.

v. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows.

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 debt used to acquire capital assets.

Net position is reported as restricted when there is an externally imposed restriction on its use or it is limited by enabling legislation.

vi. Fund Financial Statements (Fund Balances)

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to the constraints on the specific purposes for which the amounts in those funds can be spent.

GASB 54 requires the fund balance amounts to be reported within one of the fund balance categories listed below.

1. *Nonspendable*, includes amounts that cannot be spent because they are (a) not in spendable form (such as fund balance associated with inventories) or are (b) legally or contractually required to stay intact (i.e. corpus of a permanent trust fund),

2. *Restricted*, constraints are placed on the use of resources that can be spent only for the specific purposes that are either (a) imposed by creditors, grantors, or contributors, or (b) imposed by law through constitution provisions or through enabling legislation,

3. *Committed*, includes amounts that can be used only for the specific purposes determined by a formal action by Town meeting. Town meeting is the highest level of decision-making authority in the Town. Committed fund balance cannot be used for any other purposes without another formal vote taken by Town meeting.

4. *Assigned*, intended (by the Board of Selectmen, Town Administrator or Town Accountant) to be used by the government for specific purposes, but do not meet the criteria to be classified as restricted or committed, and

5. *Unassigned*, the residual classification for the government's general fund and includes all spendable amounts not contained in the restricted, committed or assigned categories.

The Town has not formally adopted a policy for its use of unrestricted fund balance. Therefore, in accordance with GASB 54, it considered that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

## Details of Fund Balance Classifications

The following schedule shows the detail of the fund balance classifications displayed in the aggregate on the Town's balance sheet.

	<u>General Fund</u>	<u>Betterment Fund</u>	<u>Police Station/ Town Hall Renovation</u>	<u>Non Major Funds</u>	<u>Total</u>
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Culture and Recreation	\$ -	\$ -	\$ -	\$ 209,240	\$ 209,240
<b>Total Nonspendable</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>209,240</u>	<u>209,240</u>
<b>Restricted for:</b>					
General Government	-	-	-	1,091,055	1,091,055
Public Safety	-	-	441,276	121,710	562,986
Human Services	-	-	-	988,415	988,415
Culture and Recreation	-	-	-	295,183	295,183
Debt Service	-	1,679,956	-	-	1,679,956
<b>Total Restricted</b>	<u>-</u>	<u>1,679,956</u>	<u>441,276</u>	<u>2,496,363</u>	<u>4,617,595</u>
<b>Committed to:</b>					
General Government	4,584,749	-	-	-	4,584,749
Public Safety	144,217	-	-	-	144,217
Public Works	403,567	-	-	-	403,567
Human Services	462	-	-	-	462
Culture and Recreation	5,646	-	-	-	5,646
<b>Total Committed</b>	<u>5,138,641</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,138,641</u>
<b>Unassigned</b>	<u>3,901,840</u>	<u>-</u>	<u>-</u>	<u>(100,349)</u>	<u>3,801,491</u>
<b>Total Fund Balances</b>	<u>\$ 9,040,481</u>	<u>\$ 1,679,956</u>	<u>\$ 441,276</u>	<u>\$ 2,605,254</u>	<u>\$ 13,766,967</u>

## Stabilization Fund

The Town has established a stabilization fund in accordance with Massachusetts General Laws Chapter 40 Section 5B. That section of the law stipulates that "cities, towns and districts may appropriate in any year an amount not exceeding, in the aggregate, 10 per cent of the amount raised in the preceding fiscal year by taxation of real estate and tangible personal property or such larger amount as may be approved by the director of accounts. The aggregate amount in such funds at any time shall not exceed 10 per cent of the equalized valuation of the city or town as defined in section 1 of chapter 44. Any interest shall be added to and become part of the fund".

"The treasurer shall be the custodian of all such funds and may deposit the proceeds in national banks or invest the proceeds by deposit in savings banks, co-operative banks or trust companies organized under the laws of the commonwealth, or invest the same in such securities as are legal for the investment of funds of savings banks under the laws of the commonwealth or in federal savings and loans associations situated in the commonwealth".

"At the time of creating any such fund the city, town or district shall specify, and at any later time may alter, the purpose of the fund, which may be for any lawful purpose, including without limitation an approved school project under chapter 70B or any other purpose for which the city,

town or district may lawfully borrow money. Such specification and any such alteration of purpose, and any appropriation of funds into or out of any such fund, shall be approved by two-thirds vote, except as provided in paragraph (g) of section 21C of chapter 59 for a majority referendum vote. Subject to said section 21C, in a town or district any such vote shall be taken at an annual or special town meeting and in a city any such vote shall be taken by city council”.

The balance in the Town’s stabilization fund as of June 30, 2022 was \$150,413. The unappropriated portion of the stabilization fund is reported as a component of unassigned fund balance in the general fund on the Town’s balance sheet.

vii. Compensated Absences

The vacation and sick leave policies of the Town vary between departments because of various contractual agreements.

In general, employees are entitled to ten vacation days for the first through fourth year of employment. For the fifth through ninth year of employment, three weeks of vacation is allowed. Employees with ten or more years of employment are allowed four weeks of vacation. Employees may carry forward unused vacation time into the next fiscal year as long as it is used by September 30th. The accumulated vacation liability as of June 30, 2022 is reflected in the accompanying financial statements.

Sick leave is accumulated at the rate of 10 hours per month with the maximum accumulation of 960 hours. Sick leave buy back is not allowed upon employee retirement or termination. As a result, an accumulated sick leave benefit liability does not exist as of June 30, 2022.

viii. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the government-wide financial statements and in the fund financial statements for proprietary fund types.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

ix. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

x. Total Column

*Government-Wide Financial Statements*

The total column presented on the government-wide financial statements represents consolidated financial information.

*Fund Financial Statements*

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial statements.



## II Stewardship, Compliance and Accountability

### (A) Budgetary Information

#### i General Budget Policies

Budget requests are prepared by the various Town departments and submitted to the Selectmen and Finance Committee for review during January, February and March of each year. The Selectmen and Finance Committee have until the annual Town meeting is held to make any changes to the departments' requests. After approval of the budget at the annual Town meeting, the tax recapitulation (recap) sheet is prepared. During this process the property tax rate is determined, and the recap sheet is sent to the Department of Revenue for approval.

Encumbrance accounting is utilized when purchase orders, contracts or other commitments for purchases are recorded in order to reserve that portion of the applicable appropriations. Encumbrances still open at year end are reported as a reservation of fund balance or retained earnings. Encumbrances do not constitute expenditures or liabilities.

#### ii Budget Basis of Accounting

The final budget appearing in the required supplementary information section of the financial statements is taken from the Town's annual recap sheet and includes those amounts which pertain to fiscal 2022 adjusted for any special Town meeting votes applicable to fiscal 2022 and reserve fund transfers authorized by the Finance Committee.

The following reconciliation summarizes the differences between the budget basis and the Generally Accepted Accounting Principles basis (fund financial statements) for the year ended June 30, 2022.

	<u>Revenues</u>
As Reported Budget Basis	\$21,855,113
Adjustments:	
Sixty Day Accrual - Net	(52,574)
Subsidies from Massachusetts Water Pollution Trust Reported as Intergovernmental Revenue on a GAAP Basis	183,264
Stabilization Fund Earnings on Investments Reported as General Fund on GAAP Basis	<u>(11,430)</u>
As Reported GAAP (Fund Financial) Statement	<u><u>\$21,974,373</u></u>

	<u>Expenditures</u>
As Reported Budget Basis	\$23,938,828
Adjustments:	
Beginning Encumbrances	2,562,700
Ending Encumbrances	(5,138,643)
Interest Expense Paid from Subsidies from Massachusetts Water Pollution Abatement Trust Reported as Debt Service on GAAP Basis	183,264
Transfer to OPEB is Employee Benefits Expense In GAAP Statement	400,000
Lease Right-of-use Asset	503,153
As Reported GAAP (Fund Financial) Statement	<u><u>\$22,449,302</u></u>

### III Detailed Notes on All Funds

#### A. Deposits

##### Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in an event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal deposit policy for custodial credit risk. As of June 30, 2022, \$2,800,974 of the Town's bank balance of \$13,808,237 was exposed to credit risk (i.e. uninsured and uncollateralized).

Uninsured and Uncollateralized      \$ 2,800,974

##### Investments

As of June 30, 2022, the Town had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>
U.S. Treasuries	\$ 277,032	\$ 277,032	\$ -	\$ -
Corporate Bonds	372,074	63,800	308,274	-
Total Debt Related Securities	<u>649,106</u>	<u>\$ 340,832</u>	<u>\$ 308,274</u>	<u>\$ -</u>
Other Investments:				
Money Market Mutual Funds	8,624			
Stocks and Equities	97,588			
Mutual Funds	654,070			
MMDT	43,351			
Total Other Investments	<u>803,633</u>			
Total Investments	<u><u>\$ 1,452,739</u></u>			

##### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

##### Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

## Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer (State law limits the amount that may be deposited in a financial institution without collateralization).

## Fair Value Measurement

Statement #72 of the Government Accounting Standards Board ("GASB") *Fair Value Measurements and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Town has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the Towns' own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Town's own data.

The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town chooses a tabular format for disclosing the levels within the fair value hierarchy.

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

<u>Fair Value Measurements Using</u>				
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
		Quoted Prices	Significant	
		in Active	Other	Significant
		Markets for	Observable	Unobservable
	<u>Total</u>	<u>Identical Assets</u>	<u>Inputs</u>	<u>Inputs</u>
Investment by Fair Value Level:				
Debt:				
U. S. Treasuries	\$ 277,032	\$ 277,032	\$ -	\$ -
Corporate Bonds	372,074	-	372,074	-
Other Investments:				
Money Market Mutual Funds	8,624	8,624	-	-
Stocks and Equities	97,588	97,588	-	-
Mutual Funds	654,070	654,070	-	-
Total Assets in the Fair Value Hierarchy	<u>1,409,388</u>	<u>\$ 1,037,314</u>	<u>\$ 372,074</u>	<u>\$ -</u>

Investments Not Subject to Fair Value Hierarchy reporting:

MMDT	43,351
Total Investments	<u>\$ 1,452,739</u>

The investments classified in level 1 of the fair value hierarchy were valued using prices quoted in active markets for those securities. Corporate bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique.

Investments classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

B. Capital and Leased Assets

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

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>
Government Activities:				
Assets Not Being Depreciated/Amortized:				
Land	\$ 12,337,046	\$ -	\$ -	\$ 12,337,046
Construction in Progress	879,379	448,213	(36,337)	1,291,255
Total Capital and Leased Assets not Being Depreciated/Amortized	<u>13,216,425</u>	<u>448,213</u>	<u>(36,337)</u>	<u>13,628,301</u>
Assets Being Depreciated/Amortized:				
Buildings	35,387,613	93,371	-	35,480,984
Improvements Other Than Buildings	713,450	-	-	713,450
Leased Buildings and Equipment	1,968,000			1,968,000
Infrastructure	48,806,038	-	-	48,806,038
Equipment	2,684,590	18,375	(326,864)	2,376,101
Vehicles	2,052,303	93,569	(290,305)	1,855,567
Total Capital and Leased Assets Being Depreciated/Amortized	<u>91,611,994</u>	<u>205,315</u>	<u>(617,169)</u>	<u>91,200,140</u>
Less Accumulated Depreciation/Amortization for:				
Buildings	(14,093,682)	(719,030)	-	(14,812,712)
Improvements Other Than Buildings	(451,701)	(18,204)	-	(469,905)
Leased Buildings and Equipment	(316,800)	(131,200)	-	(448,000)
Infrastructure	(17,056,884)	(402,414)	-	(17,459,298)
Equipment	(1,559,952)	(136,157)	217,489	(1,478,620)
Vehicles	(1,383,310)	(102,487)	269,474	(1,216,323)
Total Accumulated Depreciation/Amortization	<u>(34,862,330)</u>	<u>(1,509,492)</u>	<u>486,963</u>	<u>(35,884,858)</u>
Capital and Leased Assets Being Depreciated/Amortized, Net	<u>56,749,664</u>	<u>(1,304,177)</u>	<u>(130,206)</u>	<u>55,315,282</u>
Governmental Activities Capital and Leased Assets, Net	<u>\$ 69,966,089</u>	<u>\$ (855,964)</u>	<u>\$ (166,543)</u>	<u>\$ 68,943,583</u>

Depreciation/Amortization expense was charged to functions as follows:

Government Activities:	
General Government	\$ 40,560
Public Safety	420,062
Education	410,802
Highways and Public Works	539,108
Culture and Recreation	98,960
Total Governmental Activities Depreciation/Amortization Expense	<u>\$ 1,509,492</u>

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>
Business Activities:				
Assets Being Depreciated:				
Vehicles	\$ 346,512	\$ -	\$ -	\$ 346,512
Total Capital Assets Being Depreciated	<u>346,512</u>	<u>-</u>	<u>-</u>	<u>346,512</u>
Less Accumulated Depreciation for:				
Vehicles	(93,328)	(34,651)	-	(127,979)
Total Accumulated Depreciation	<u>(93,328)</u>	<u>(34,651)</u>	<u>-</u>	<u>(127,979)</u>
Capital Assets Being Depreciated, Net	<u>253,184</u>	<u>(34,651)</u>	<u>-</u>	<u>218,533</u>
Business Activities Capital Assets, Net	<u>\$ 253,184</u>	<u>\$ (34,651)</u>	<u>\$ -</u>	<u>\$ 218,533</u>

Depreciation expense was charged to functions as follows:

Business Activities	
Ambulance Enterprise	\$ 34,651
Total Business Activities Depreciation Expense	<u>\$ 34,651</u>

### C. Capital Leases

The Town entered into lease agreements to finance various acquisitions. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date. The following identifies the assets acquired under the lease agreement.

## GASB 87 - Leased Buildings and Equipment

The Town has operating lease agreements to lease fire equipment and the Town Hall. These long-term leases are recorded in accordance with GASB 87. The Town calculated all lease assets and liabilities in effect July 1, 2021, the beginning of the fiscal year, and recorded a cumulative effect from the change as a increase in net position (Prior Period Adjustment) of \$195,628.

As of 6/9/2022, the Town entered into a five-year facility lease, with the first payment due in FY2023. The total lease payments are \$445,474.

Lease agreements, are summarized as follows:

### 1. Right-to-Use Leased Assets and Liabilities (Formerly Operating Leases):

Description	Date	Payment Terms	Payment Amounts	Interest Rate	Total Lease Assets / Liabilities	Accumulated Amort. 6/30/2022	Net Assets / Liabilities
Fire Equipment	7/1/2020	5 Years	\$70,000 annual	4.5%	339,063	208,960	130,103
Town Hall	7/15/2021	3 Years	Various	4.5%	503,153	169,178	333,975

The above Right-to-Use Leased Assets are included the Financial Statements, in the Statement of Net Position, under the caption Right-to-Use Leased Assets, Net of Accumulated Amortization.

### 2. Capital Lease Assets:

Description	Date	Payment Terms	Payment Amounts	Interest Rate	Total Lease Assets	Accumulated Amort. 6/30/2022	Net Assets	Liabilities
Aerial Ladder Truck & Pumper	7/15/2019	10 Years	\$184,561 annual	4.5%	1,518,000	253,000	1,265,000	936,181
Pumper	7/15/2015	10 Years	\$52,351 annual	4.5%	450,000	195,000	255,000	135,969

The above Capital Lease Assets are recorded in the Notes to the Financial Statements, in the "Capital and Leased Assets" footnote, and are included on the Statement of Net Position under the caption Capital and Leased Assets.

Annual requirements to amortize long-term obligations is noted below:

Year Ending 30-June	Lease Liability Amortization
2023	416,855
2024	411,098
2025	179,334
2026	133,725
2027	132,727
2028	131,736
2029	130,753

The lease payments are noted below:

Year Ending 30-June	Principal	Interest	Total Lease Payments
2023	435,613	48,527	484,140
2024	448,929	40,528	489,457
2025	204,650	32,257	236,907
2026	159,470	25,086	184,556
2027	165,402	19,154	184,556
2028	171,555	13,001	184,556
2029	177,937	6,619	184,556

D. Accounts Receivable

The accounts receivable on the balance sheet are listed below by levy.

Governmental Activities:

Current:

Property Taxes Receivable:

Real Estate Taxes

2022 \$ 75,516

Total Real Estate Taxes \$ 75,516

Personal Property Taxes

2022 762

2021 and Prior 2,887

Total Personal Property Taxes 3,649

Total Property Taxes Receivable \$ 79,165

Tax Liens \$ 53,515

D. Accounts Receivable (continued)

Excise Taxes Receivable:

Motor Vehicle Excise Taxes

2022	\$	49,112	
2021		13,189	
2020		4,829	
2019		2,835	
2018		2,371	
2017 and Prior		55,440	
		<hr/>	
Total Motor Vehicle Excise Taxes			\$ 127,776

Boat Excise

2022		1,057	
2021 and Prior		5,097	
		<hr/>	
Total Boat Excise			6,154
Total Excise Taxes Receivable			<hr/> <hr/> \$ 133,930

Other Accounts Receivable:

Other			<hr/> <hr/> \$ 5,793
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Intergovernmental :

Massachusetts Highway Department - Chapter 90		\$ 443,765	
		<hr/>	
Total Intergovernmental			<hr/> <hr/> \$ 443,765

Special Assessments Added to Tax:

Sewer Betterments Added to Taxes		3,393	
		<hr/>	
Total Special Assessments			<hr/> <hr/> \$ 3,393

Special Assessments Not Yet Due:

Betterments - Not yet Added to Tax			<hr/> <hr/> \$ 3,969,104
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Business Type Activities:

Ambulance:

User Charges		\$ 507,511	
		<hr/>	
Total Business Type Activities			<hr/> <hr/> \$ 507,511

E. Intergovernmental

The Intergovernmental receivable in the non major funds column represents the amount due from the Massachusetts Highway Department for highway projects.



F. Short Term Debt

The Town had no outstanding short term debt at the end of the year.

G. Long Term Debt

General obligation bonds outstanding at June 30, 2022, bear interest at various rates.

(a) Changes in Long Term Debt - the following is a summary of bond transactions for the year ended June 30, 2022:

<b><u>Governmental Activities:</u></b>		Original	Interest Rates	Final	Balance			Balance
<u>General Obligation Bond</u>	<u>Sale Date</u>	<u>Borrowing</u>	<u>to Maturities</u>	<u>Maturity</u>	<u>July 1, 2021</u>	<u>Issued</u>	<u>Redeemed</u>	<u>June 30, 2022</u>
MWPAT - Sewer	11/23/2004	\$ 3,820,831	Various	8/01/2034	\$ 2,275,000	\$ -	\$ 130,000	\$ 2,145,000
MWPAT - Water	11/23/2004	4,322,672	Various	8/01/2034	996,681	-	236,880	759,801
MWPAT - Sewer	12/14/2006	2,800,000	Various	7/15/2036	1,529,802	-	93,159	1,436,643
Sewer	11/1/2005	1,250,000	4.00% ~ 3.75%	6/30/2022	80,000	-	80,000	0
Water	11/1/2005	715,000	4.00% ~ 3.75%	6/30/2022	40,000	-	40,000	0
Transfer Station	11/1/2005	1,140,000	4.00% ~ 3.75%	6/30/2022	80,000	-	80,000	0
MWPAT - Water	12/18/2007	451,487	Various	7/15/2024	106,233	-	26,558	79,675
Police Station Building Project	2/6/2020	1,715,000	3.14%	10/1/2049	1,690,000	-	35,000	1,655,000
Police Station/Town Hall Building Project	10/3/2019	6,455,000	2.60%	10/1/2049	6,325,000	-	135,000	6,190,000
			Total Governmental Activities		<u>\$ 13,122,716</u>	<u>\$ -</u>	<u>\$ 856,597</u>	<u>\$ 12,266,119</u>

## G. Long Term Debt (Continued)

### (b) Summary of Debt Service Requirements to Maturity

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	670,856	341,153	1,012,009
2024	695,119	313,182	1,008,301
2025	714,913	288,455	1,003,368
2026	434,453	273,358	707,811
2027	454,779	257,657	712,436
2028	475,107	228,462	703,569
2029	495,436	219,236	714,672
2030	505,766	198,724	704,490
2031	516,096	180,650	696,746
2032	536,429	165,467	701,896
2033	546,762	150,631	697,393
2034	557,096	135,543	692,639
2035	572,432	123,853	696,285
2036	372,769	117,710	490,479
2037	378,106	111,338	489,444
2038	285,000	104,888	389,888
2039	295,000	98,441	393,441
2040	305,000	91,541	396,541
2041	310,000	84,084	394,084
2042	315,000	76,353	391,353
2043	330,000	68,375	398,375
2044	335,000	60,106	395,106
2045	340,000	51,669	391,669
2046	350,000	42,872	392,872
2047	360,000	33,647	393,647
2048	370,000	24,162	394,162
2049	380,000	14,419	394,419
2050	365,000	4,740	369,740
Total	<u>\$ 12,266,119</u>	<u>\$ 3,860,716</u>	<u>\$ 16,126,835</u>

### (c) Bond Authorizations

The Town does not have any loans authorized and unissued as of June 30, 2022.

### (d) Changes in the government's long-term liabilities for the year ended June 30, 2022 are as follows:

	<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2022</u>	<u>Current</u> <u>Portion</u>
<b>Governmental Activities:</b>					
Bonds Payable	\$ 13,122,716	\$ -	\$ 856,597	\$ 12,266,119	\$ 670,856
Unamortized Bond Premium	<u>\$ 171,601</u>	<u>-</u>	<u>5,917</u>	<u>165,684</u>	<u>5,917</u>
Total Bonds Payable	\$ 13,294,317		862,514	12,431,803	676,773
Compensated Absences	99,156	97,124	99,156	97,124	97,124
Lease Payable	1,455,792	503,153	422,717	1,536,228	416,855
Net Pension Liability	8,365,376	-	943,518	7,421,858	-
Landfill Liability	564,226	-	35,988	528,238	-
Other Post Employment Benefits	<u>6,006,372</u>	<u>-</u>	<u>542,940</u>	<u>5,463,432</u>	<u>-</u>
Total Governmental Activities	<u>\$ 29,781,803</u>	<u>\$ 600,277</u>	<u>\$ 2,906,833</u>	<u>\$ 27,478,683</u>	<u>\$ 1,190,752</u>

## H. Interfund Transfers

The accompanying financial statements reflect transactions between the various funds. These transactions represent operating transfers and do not constitute revenues or expenditures of the funds. Transfers made during the year were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer (Out)</u>	<u>Total</u>
General	\$ 717,283	\$ -	\$ 717,283
Betterment	-	(571,168)	(571,168)
Non-Major Governmental	9,996	(81,447)	(71,451)
Proprietary Fund	-	(59,046)	(59,046)
Trust and Agency and Other	-	(15,618)	(15,618)
Total	<u>\$ 727,279</u>	<u>\$ (727,279)</u>	<u>\$ -</u>

## IV Other Information

### Pension Plans

#### A. General Information about the Pension Plan

##### Plan Description

The Town provides pension benefits to eligible employees by contributing to the Essex Regional Retirement System, a cost sharing multiple employer defined benefit pension plan administered by the Essex Regional Retirement System. The System is administered by a five-member board on behalf of all eligible current employees and retirees. The system provides retirement benefits, cost of living adjustments, disability benefits and death benefits.

The system is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (M.G.L.). The authority to establish and amend benefit provisions requires a statutory change to Chapter 32. The Essex Regional Retirement System issues a stand-alone financial report that is available to the public at:

[https://www.essexregional.com/sites/g/files/vyhlif3121/f/uploads/essex\\_regional\\_retirement\\_system\\_financial\\_statements\\_12-31-2021.pdf](https://www.essexregional.com/sites/g/files/vyhlif3121/f/uploads/essex_regional_retirement_system_financial_statements_12-31-2021.pdf) - or by writing to the Essex Regional Retirement System, 491 Maple Street, Suite 202, Danvers, Massachusetts 01923-4025.

##### Benefits Provided

The Essex Regional Retirement System provides retirement, disability, and death benefits as detailed below:

##### Retirement Benefits

Employees covered by the Contributory Retirement Law are classified into one of four groups depending on job classification. Group 1 comprises most positions in state and local government. It is the general category of public employees. Group 4 comprises mainly police and firefighters. Group 2 is for other specified hazardous occupations. (Officers and inspectors of the State Police are classified as Group 3).

For employees hired prior to April 2, 2012, the annual amount of the retirement allowance is based on the member's final three-year average salary multiplied by the number of years and full months of creditable service at the time of retirement and multiplied by a percentage according to the table below based on the age of the member at retirement.

<u>Benefit %</u>	<u>Group 1</u>	<u>Group 2</u>	<u>Group 4</u>
	<u>Hired on or before April 1 2012</u>		
2.50%	65+	60+	55+
2.40%	64	59	54
2.30%	63	58	53
2.20%	62	57	52
2.10%	61	56	51
2.00%	60	55	50
1.90%	59	N/A	49
1.80%	58	N/A	48
1.70%	57	N/A	47
1.60%	56	N/A	46
1.50%	55	N/A	45

For employees hired on April 2, 2012 or later, the annual amount of the retirement allowance is based on the member's final five-year average salary multiplied by the number of years and full months of creditable service at the time of retirement and multiplied by a percentage according to the tables below based on the age and years of the member at retirement:

	<u>Hired after April 1 2012</u>		
2.50%	67+	62+	57+
2.35%	66	61	56
2.20%	65	60	55
2.05%	64	59	54
1.90%	63	58	53
1.75%	62	57	52
1.60%	61	56	51
1.45%	60	55	50

For all employees, the maximum annual amount of the retirement allowance is 80 percent of the member's final average salary. Any member who is a veteran also receives an additional yearly retirement allowance of \$15 per year of creditable service, not exceeding \$300. The veteran allowance is paid in addition to the 80 percent maximum.

#### Retirement Benefits - Superannuation

Members of Group 1, 2 or 4 hired prior to April 2, 2012 may retire upon the attainment of age 55. For retirement at ages below 55, twenty years of creditable service is required.

Members hired prior to April 2, 2012 who terminate before age 55 with ten or more years of creditable service are eligible for a retirement allowance upon the attainment of age 55 (provided they have not withdrawn their accumulated deductions from the Annuity Savings Fund of the System).

Members of Group 1 hired April 2, 2012 or later may retire upon the attainment of age 60. Members of Group 2 or 4 hired April 2, 2012 or later may retire upon the attainment of age 55.

Members hired April 2, 2012 or later who terminate before age 55 (60 for members of Group 1) with ten or more years of creditable service are eligible for a retirement allowance upon the attainment of age 55 (60 for members of Group 1) provided they have not withdrawn their accumulated deductions from the Annuity Savings Fund of the System.

#### Ordinary Disability Benefits

A member who is unable to perform his or her job due to a non-occupational disability will receive a retirement allowance if he or she has ten or more years of creditable service and has not reached age 55. The annual amount of such allowance shall be determined as if the member retired for superannuation at age 55 (age 60 for Group 1 members hired on or after April 2, 2012), based on the amount of creditable service at the date of disability. For veterans, there is a minimum benefit of 50 percent of the member's most recent year's pay plus an annuity based on his or her own contributions.

#### Accidental Disability Benefit

For a job-connected disability, the benefit is 72 percent of the member's most recent annual pay plus an annuity based on his or her own contributions, plus additional amounts for surviving children. Benefits are capped at 75 percent of annual rate of regular compensation for employees who become members after January 1, 1988.

#### Death Benefits

In general, the beneficiary of an employee who dies in active service will receive a refund of the employee's own contributions. Alternatively, if the employee were eligible to retire on the date of death, a spouse's benefit will be paid equal to the amount the employee would have received under Option C. The surviving spouse of a member who dies with two or more years of credited service has the option of a refund of the employee's contributions or a monthly benefit regardless of eligibility to retire, if they were married for at least one year. There is also a minimum widow's pension of \$500 per month, and there are additional amounts for surviving children.

If an employee's death is job-connected, the spouse will receive 72 percent of the member's most recent annual pay, in addition to a refund of the member's accumulated deductions, plus additional amounts for surviving children. However, in accordance with Section 100 of Chapter 32, the surviving spouse of a police officer, firefighter or corrections officer who is killed in the line of duty will be eligible to receive an annual benefit equal to the maximum salary held by the member at the time of death. Upon the death of a job-connected disability retiree who retired prior to November 7, 1996 and could not elect an Option C benefit, a surviving spouse will receive an allowance of \$9,000 per year if the member dies for a reason unrelated to cause of disability.

#### Contributions

Active members of the Essex Regional Retirement System contribute 5%, 7%, 8% or 9% of their gross regular compensation depending on the date upon which their membership began. An additional 2% is required from employees for earnings in excess of \$30,000. The Town is required to pay an actuarially determined rate. The contribution requirement of plan members is determined by M.G.L. Chapter 32. The Town's contribution requirement is established by and may be amended by the Essex Regional Retirement System with the approval of the Public Employee Retirement Administration Commission.

The Town's contractually required contribution rate for the year ended June 30, 2022 was 26.29% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$885,708 for the year ending June 30, 2022.

#### **B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2022, the Town reported a liability of \$7,421,858 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. Accordingly, update procedures were utilized to roll back the liability to the measurement date. The Town's proportion of the net pension liability was based

on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2021, the Town's proportion was 2.137 %.

Costs related to the Town's pension assessment are not charged to the Town's ambulance enterprise fund by way of direct or indirect charges. The Town's has no intention to charge the ambulance enterprise fund for the pension related costs in the future. As a result, the pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions were not allocated to the ambulance enterprise fund.

For the year ended June 30, 2022, the Town recognized pension expense of \$934,194. On June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 618	\$ (227,099)
Change in assumptions	822,129	-
Net differences between projected and actual earnings on pension plan investments	-	(1,645,228)
Changes in proportion and differences between contributions and proportionate share of contributions	272,116	(4,692)
Contributions subsequent to the measurement date	-	-
	<u>\$ 1,094,863</u>	<u>\$ (1,877,019)</u>

Contributions made subsequent to the measurement date (deferred outflows of resources) are recognized as a reduction of the net pension liability in the next fiscal year. The Town did not have any deferred outflows of resources for contributions made subsequent to the measurement date. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Amount
2023	\$ 32,260
2024	(294,920)
2024	(310,099)
2026	(209,397)
Total	<u>\$ (782,156)</u>

#### Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2022, using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2021.

<b>Valuation Date</b>	January 1, 2022
<b>Actuarial Cost Method</b>	Entry age normal cost method
<b>Salary Increases</b>	Based on years of service, ranging from 7.5% at 0 years of service decreasing to 3.75% after 5 years of service.
<b>Investment Rate of Return/Discount Rate</b>	7.0% (previously 7.30%
<b>Inflation Rate</b>	2.75% (2.75% in previous report)
<b>Cost of Living Adjustments</b>	3% of first \$14,000
<b>Rates of Retirement</b>	Varies based upon age for general employees, police and fire employees.
<b>Mortality Rates Were Based on the Tables Noted Below:</b>	
<b>Pre-Retirement</b>	RP-2014 Employee Mortality Table projected generationally with Scale MP-2021
<b>Healthy Retiree</b>	RP-2014 Healthy Annuitant Mortality Table projected generationally with Scale MP-2021
<b>Disabled</b>	RP-2014 Healthy Annuitant Mortality Table set forward one year projected generationally with Scale MP-2021

In performing the actuarial valuation, various assumptions are made regarding mortality, retirement, disability and withdrawal rates as well as salary increases and investment returns. A comparison of the results of the current valuation and the prior valuation is made to determine how closely actual experience relates to expected. The mortality tables listed in the assumption table were determined to contain provisions appropriate to reasonably reflect future mortality improvement, based on a review of the mortality experience of the plan.

#### *Changes in Actuarial Assumptions and Plan Provisions*

##### Actuarial Assumptions

The following changes were reflected in the January 1, 2022, valuation:

- The net investment return assumption decreased from 7.30% to 7.00%.
- The mortality assumption was revised to update the mortality improvement projection scale from MP-2019 to MP-2021 and to change the age set forward for disabled participants from two years to one year.
- The administrative expense assumption increased from \$1,000,000 for calendar year 2020 to \$1,150,000 for calendar year 2022

##### Plans Provisions

The System increased the COLA base from \$14,000 to \$16,000

### Investment Policy

The pension plan's policy in regard to the allocation of invested assets is established by PRIT and the Board. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the pension plan.

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 allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	<u>Target Allocation</u>	<u>Long Term Expected Rate of Return</u>
Domestic Equity	22.00%	6.11%
International Developed Markets Equity	11.50%	6.49%
International Emerging Markets Equity	4.50%	8.12%
Core Fixed Income	15.00%	0.38%
High Yield Fixed Income	8.00%	2.48%
Private Equity	15.00%	9.93%
Real Estate	10.00%	3.72%
Timberland	4.00%	3.44%
Hedge Funds, PCS	10.00%	2.63%
Total	<u>100.00%</u>	

### Rate of Return

The annual money-weighted rate of return on pension plan investments for December 31, 2021 (net of investment expenses) was 19.69% (12.14% for December 31, 2020). The money-weighted rate of return expresses investment performance, net of pension plan investment expense, is adjusted for the changing amounts actually invested, measured monthly.

### Discount Rate

The discount rate used to measure the total pension liability was 7.0% (and 7.3% in the prior valuation). The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that the Essex Regional Retirement System contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for the current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service cost for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



*Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the Town's share of the net pension liability of the Essex Regional Retirement System, calculated using the discount rate of 7.0%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease <u>6.0%</u>	Discount Rate <u>7.0%</u>	1% Increase <u>8.0%</u>
Town's proportionate share of the Net Pension Liability	\$10,037,093	\$7,421,858	\$5,225,673

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the Essex Regional Retirement System's financial report. The financial report is available on the internet at:

[https://www.essexregional.com/sites/g/files/vyhlf3121/f/uploads/essex\\_regional\\_retirement\\_system\\_financial\\_statements\\_12-31-2021.pdf](https://www.essexregional.com/sites/g/files/vyhlf3121/f/uploads/essex_regional_retirement_system_financial_statements_12-31-2021.pdf)

C. Other Postemployment Benefits (OPEB) Disclosures

Summary of Significant Accounting Policies (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Town's Plan and additions to/deductions from Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

The Town determined that costs related to the Town's other post-employment benefits (OPEB) liability will not be charged to the Town's ambulance enterprise fund by way of direct or indirect charges. The Town has no intention to charge the ambulance enterprise fund for the other post-employment benefits related costs in the future. As a result, the OPEB liabilities, OPEB expense, deferred outflows of resources and deferred inflows of resources related to OPEB were not allocated to the ambulance enterprise fund.

**General Information About the Plan**

**Plan Description**

*Plan Administration:* The Town administers all activity related to the other post-employment benefits plan - a single employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all eligible employees of the Town. Management of the plan is vested in the Town's Treasurer. The Town's Board of Selectmen has the authority to establish and amend benefit terms.

*Plan Membership:* At June 30, 2022, the plans membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	37
Inactive plan members entitled to but not yet receiving benefit payments	0
Active Plan Members	<u>49</u>
Total	86

*Benefits Provided:* The Town provides retired employees and their spouses and dependents with payments for a portion of their health care and life insurance benefits. Benefits are provided through a third party insurer.

*Contributions.* The Town pays premiums based on years of service and date of hire. The contribution requirements of plan members and the Town are established by the Town and may be amended from time to time. The Town pays 75% of the total premiums for retirees' health insurance and 75% of the premiums for a \$2,000 life insurance policy. For the year ended June 30, 2022, the Town's average contribution rate was 20.48% of covered payroll.

### **Net OPEB Liability**

The Town's net OPEB liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2021.

Total OPEB Liability	\$6,318,030
Plan Fiduciary Net Position	(854,598)
Net OPEB Liability	<u>\$5,463,432</u>

Plan fiduciary net position as a percentage of the total OPEB liability	13.53%
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*Actuarial assumptions.* The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% as of June 30, 2022 and for future periods
Salary Increases	3.00% annually as of June 30, 2022 and for future periods
Investment Rate of Return	5.56 %, net of OPEB plan investment expense, including inflation
Municipal Bond Rate	4.09% as of June 30, 2022 (source: S&P Municipal Bond 20-Year High Grade Index SAPIHG)
Single Equivalent Discount Rate	5.69 %, net of OPEB plan investment expense, including inflation
Health Cost Trend Rates	4.50%
Mortality Rates were based on the tables noted below:	

Pre-Retirement	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females.
Post-Retirement	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.
Disabled	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.

The actuarial assumptions used to calculate the actuarial accrued liability and the service cost primarily reflect the latest experience studies of the Massachusetts PERAC issued in 2014 and their most recent analysis of retiree mortality during 2015 and 2016.

## Investments

*Investment Policy:* The plan's policy regarding the allocation of invested assets is approved and may be amended by the Treasurer. The intended policy pursues an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns,

net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocations and best estimates of arithmetic real rates of return for each major asset class summarized in the target asset allocation as of June 30, 2022 is shown below:

	<u>Target Allocation</u>	<u>Long Term Expected Rate of Return</u>
Domestic Equity - Large Cap	30.00%	4.42%
Domestic Equity - Small/Mid Cap	14.50%	4.81%
International Equity - Developed Market	12.25%	4.91%
International Equity - Emerging Market	6.75%	5.58%
Domestic Fixed Income	27.00%	1.00%
International Fixed Income	4.75%	1.04%
Alternatives	4.75%	5.98%
Real Estate	0.00%	6.25%
Cash	0.00%	0.00%
Total	<u>100.00%</u>	

## Concentrations

The OPEB plan did not hold investments in any one organization that represent 5% or more of the OPEB plan's fiduciary net position.

## Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was 16.27% (2.83% in the prior fiscal year). The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

## Discount rate

The discount rate used to measure the total OPEB liability was 5.69% (6.0% in the prior valuation). The projection of cash flows used to determine the discount rate assumed that Town contributions will be made in accordance with the Town's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position is projected to be insufficient to make all projected benefit payments to current plan members. Therefore, the long-term expected rate of return on the OPEB Plan assets is applied to the projected benefits payments which the Fiduciary Net Position is expected to be sufficient to cover and the Municipal Bond Rate is applied thereafter.

## Changes in Net OPEB Liability

	Increase (Decrease)		
	Plan		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
<b>Balances 6/30/2021</b>	\$ 6,585,109	\$ 578,737	6,006,372
Service cost	183,635	-	183,635
Interest	397,366	-	397,366
Other	-	-	-
Implicit Cost Amount	(64,511)	-	(64,511)
Changes in Assumptions	1,222,979	-	1,222,979
Difference between expected and actual experience	(1,774,792)	-	(1,774,792)
Contributions - employer	-	696,267	(696,267)
Net investment income	-	(124,139)	124,139
Benefit Payments Excluding Implicit Costs	(231,756)	(296,267)	64,511
<b>Net changes</b>	<b>(267,079)</b>	<b>275,861</b>	<b>(542,940)</b>
<b>Balances 6/30/2022</b>	<b>\$ 6,318,030</b>	<b>\$ 854,598</b>	<b>\$ 5,463,432</b>

### *Changes in Assumptions:*

- The discount rate has changed to 5.69% from 6%.
- The mortality table has been updated from the RP-2000 Mortality Table projected to 2017 for males and females to the RP-2014 Mortality Table projected generationally with scale MP-2016 for males and females
- The expected long-term medical trend has been updated to 4.50%
- Based on recent research by the Society of Actuaries, the assumption for morbidity or age-related costs of medical care has been updated.

### *Changes in Benefit Terms:* None

*Sensitivity of the net OPEB liability to changes in the discount rate:* The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
	<u>4.69%</u>	<u>5.69%</u>	<u>6.69%</u>
Total OPEB Liability (asset)	\$6,405,684	\$5,463,432	\$4,705,483

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates:* The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
	<u>3.50% per year</u>	<u>4.50% per year</u>	<u>5.50% per year</u>
Total OPEB Liability (asset)	\$4,605,580	5,463,432	\$6,549,952

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

For the year ended June 30, 2022, the Town recognized OPEB expense of 297,277. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 237,076	\$ (2,239,500)
Change in assumptions	1,038,796	(293,466)
Net differences between projected and actual earnings on OPEB plan investments	93,010	
	<u>\$ 1,368,882</u>	<u>\$ (2,532,966)</u>

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

Year ended June 30:	Amount
2023	\$ (235,056)
2024	(410,377)
2025	(333,836)
2026	(48,522)
2027	(83,104)
Thereafter	(53,189)
Total	<u>\$ (1,164,084)</u>

*OPEB plan fiduciary net position.* Detailed information about the OPEB plan's fiduciary net position is available in the accompanying financial statements.

### **D. Subsequent Year Authorizations**

The Town adopted a fiscal 2023 operating and capital budget of \$22,896,374 Budgetary amounts which are not reflected in the accompanying financial statements will be financed by the following sources:

Property Taxes, State Aid and Non-Property Tax Revenue	\$22,129,683
Fund Balance Restricted:	
Betterment Fund	443,705
Non Major Fund	95,050
Enterprise Fund Revenues	227,936
Total Budget	<u>\$22,896,374</u>

E. Solid Waste Landfill Closure and Postclosure Care Costs

State and Federal regulations require that landfill closures meet certain standards. Among the standards is the requirement to monitor the landfill for 30 years. Accounting principles generally accepted in the United States of America require recognition of a liability for closure and postclosure costs based on landfill capacity used to date. The landfill capacity used to date (as of June 30, 2022) is 100%. The Town's estimates for monitoring costs are included as a liability in the Statement of Net Position.

F. Significant Commitments and Contingencies  
Encumbrances

Encumbrances for open purchase are reported as Assigned Fund Balance unless the resources have already been restricted, committed or assigned for another purpose.

G. Implementation of New GASB Pronouncements

Current Year Implementations –

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefined the manner in which long-term leases are accounted and reported. As amended, the provisions of this Statement became effective in fiscal year 2022. The Town has included the required changes relating to GASB87 in the fiscal year ended June 30, 2022 financial statements.

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

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

Future Year Implementations -

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

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

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

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

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

#### H. Prior Period Adjustments

##### **Government Wide Financial Statements**

During the fiscal year ended June 30, 2022, the Town implemented GASB Statement No. 87, which requires recording leased assets and a related lease liability for all long-term leases, in the audited financial statements. In the past, certain leases that were considered operating leases, were not required to be recorded in the financial statements. In accordance with GASB 87, the Town recorded lease assets and liabilities, effective July 1, 2021, with the cumulative effect of this change being recorded as a PPA (Prior Period Adjustment) in the Government Wide Financial Statements – Statement of Activities. Because GASB 87 requires that the lease liability be recorded at present value, the financial statements reflect an increase to Net Position of \$195,628.

## **REQUIRED SUPPLEMENTARY INFORMATION**



Town of Newbury, Massachusetts  
Required Supplementary Information  
General Fund  
Statement of Revenues and Expenditures - Budget and Actual  
June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
<b><u>Revenues</u></b>				
Property Taxes	\$ 18,503,188	\$ 18,503,188	\$ 18,542,787	\$ 39,599
Excises	1,116,000	1,116,000	1,307,673	191,673
Penalties and Interest	35,000	35,000	33,321	(1,679)
Fees and Other Departmental	534,000	534,000	729,288	195,288
Intergovernmental	1,008,556	1,008,556	1,005,106	(3,450)
Fines and Forfeits	65,000	65,000	84,843	19,843
Earnings on Investments	60,000	60,000	37,541	(22,459)
In Lieu of Taxes	45,000	45,000	46,883	1,883
Miscellaneous	20,000	20,000	67,671	47,671
Total Revenues	<u>21,386,744</u>	<u>21,386,744</u>	<u>21,855,113</u>	<u>468,369</u>
<b><u>Expenditures</u></b>				
General Government	5,135,707	5,140,151	4,874,200	265,951
Public Safety	3,102,244	3,158,944	3,064,019	94,925
Education	10,856,194	10,856,194	10,748,661	107,533
Highway and Public Works	1,409,262	1,633,262	1,556,282	76,980
Health and Human Services	353,132	385,132	347,250	37,882
Culture and Recreation	373,410	378,410	372,282	6,128
Intergovernmental	156,482	156,482	142,886	13,596
Employee Benefits	1,865,814	1,862,422	1,838,536	23,886
Debt Service	1,084,713	1,054,513	994,712	59,801
Total Expenditures	<u>24,336,958</u>	<u>24,625,510</u>	<u>23,938,828</u>	<u>686,682</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,950,214)</u>	<u>(3,238,766)</u>	<u>(2,083,715)</u>	<u>1,155,051</u>
Other Financing Sources (Uses):				
Transfers In	1,013,214	1,013,214	1,100,283	87,069
Other Available Funds	2,437,000	2,725,552	2,725,552	-
Transfers Out	<u>(500,000)</u>	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>2,950,214</u>	<u>3,238,766</u>	<u>3,325,835</u>	<u>87,069</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,242,120</u>	<u>\$ 1,242,120</u>

**See Notes to the Required Supplementary Information**

Required Supplementary Information  
Schedule of the Town of Newbury, Massachusetts Proportionate Share of the Net Pension Liability  
Essex Regional Retirement System \*\*  
Last Ten Fiscal Years\*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportionate share of net pension liability (asset) (%)	2.137000%	2.108000%	2.109345%	2.078000%	1.867575%	1.953000%	1.971000%	1.910000%
Town's proportionate share of net pension liability (asset) (\$)	7,421,858	8,365,376	8,887,005	8,780,703	7,135,340	7,526,365	6,617,673	6,480,618
Town's covered payroll	3,369,398	3,035,436	2,918,867	2,931,340	2,814,757	2,549,341	2,320,540	2,232,466
Town's proportionate share of net pension liability (asset) as a percentage of its covered payroll	220.27%	275.59%	304.47%	299.55%	253.50%	295.23%	285.18%	290.29%
Plan fiduciary net position as a percentage of the total pension liability	67.01%	59.73%	55.46%	51.89%	55.40%	51.12%	51.01%	52.27%

\*\* The amounts presented for each fiscal year were determined as of December 31.

*This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.*

**See Notes to the Required Supplementary Information**

Required Supplementary Information  
Schedule of the Town of Newbury, Massachusetts' Contributions  
Essex Regional Retirement System  
Last Ten Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 885,708	\$ 813,719	\$ 757,582	\$ 694,576	\$ 590,423	\$ 565,999	\$ 541,397	\$ 489,986
Contributions in relation to the contractually contribution required	<u>(885,708)</u>	<u>(813,719)</u>	<u>(757,582)</u>	<u>(694,576)</u>	<u>(590,423)</u>	<u>(565,999)</u>	<u>(541,397)</u>	<u>(489,986)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 3,369,398	\$ 3,035,436	\$ 2,918,867	\$ 2,931,340	\$ 2,814,757	\$ 2,549,341	\$ 2,320,540	\$ 2,232,466
Contributions as a percentage of covered payroll	26.29%	26.81%	25.95%	23.69%	20.98%	22.20%	23.33%	21.95%

*"Schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available"*

**See Notes to the Required Supplementary Information**

Town of Newbury, Massachusetts  
Required Supplementary Information  
Schedule of Changes in the Net OPEB Liability and Related Ratios  
June 30, 2022  
Last 10 Fiscal Years

	2022	2021	2020	2019	2018	2017
<b>Total OPEB Liability</b>						
Service cost	\$ 183,635	\$ 182,091	\$ 179,131	\$ 318,609	\$ 303,274	\$ 309,897
Interest	397,366	381,290	390,808	376,776	356,150	270,314
Implicit cost amount	(64,511)	(105,743)	-	-	-	-
Changes in assumptions	1,222,979	-	(618,333)	-	-	-
Difference between expected and actual experience	(1,774,792)	-	(1,542,316)	-	795,150	-
Benefit payments excluding implicit costs	(231,756)	(191,952)	(273,383)	(247,896)	(233,310)	(229,364)
<b>Net change in total OPEB liability</b>	<b>(267,079)</b>	<b>265,686</b>	<b>(1,864,093)</b>	<b>447,489</b>	<b>1,221,264</b>	<b>350,847</b>
<b>Total OPEB liability - beginning</b>	<b>6,585,109</b>	<b>6,319,423</b>	<b>8,183,516</b>	<b>7,736,027</b>	<b>6,514,763</b>	<b>6,163,916</b>
<b>Total OPEB liability - ending (a)</b>	<b>\$ 6,318,030</b>	<b>\$ 6,585,109</b>	<b>\$ 6,319,423</b>	<b>\$ 8,183,516</b>	<b>\$ 7,736,027</b>	<b>\$ 6,514,763</b>
<b>Plan Fiduciary net position</b>						
Contributions - employer	\$ 696,267	\$ 397,695	\$ 373,383	\$ 297,896	\$ 283,310	\$ 25,000
Net investment income	(124,139)	109,540	9,453	14,488	8,602	6,300
Benefit payments	(296,267)	(297,695)	(273,383)	(247,896)	(233,310)	-
Administrative expense	-	-	-	-	-	-
<b>Net change in plan fiduciary net position</b>	<b>275,861</b>	<b>209,540</b>	<b>109,453</b>	<b>64,488</b>	<b>58,602</b>	<b>31,300</b>
<b>Plan fiduciary net position - beginning</b>	<b>578,737</b>	<b>369,197</b>	<b>259,744</b>	<b>195,256</b>	<b>136,654</b>	<b>105,354</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 854,598</b>	<b>\$ 578,737</b>	<b>\$ 369,197</b>	<b>\$ 259,744</b>	<b>\$ 195,256</b>	<b>\$ 136,654</b>
<b>Town's net OPEB liability - ending (a) - (b)</b>	<b>\$ 5,463,432</b>	<b>\$ 6,006,372</b>	<b>\$ 5,950,226</b>	<b>\$ 7,923,772</b>	<b>\$ 7,540,771</b>	<b>\$ 6,378,109</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	15.64%	9.64%	6.20%	3.28%	2.59%	2.14%
<b>Covered payroll</b>	\$ 3,399,353	\$ 3,131,657	\$ 3,040,444	\$ 2,729,195	\$ 2,649,704	N/A
<b>Town's net OPEB liability as a percentage of covered payroll</b>	160.72%	191.80%	195.70%	290.33%	284.59%	N/A

**Notes to Schedule:**

*Changes in Assumptions:*

- The discount rate has changed to 5.69% from 6.0%
- The mortality table has been updated from the RP-2000 Mortality Table projected to 2017 for males and females to the RP-2014 Mortality Table projected generationally with scale MP-2016 for males and females
- The expected long-term medical trend has been updated to 4.50%
- Based on recent research by the Society of Actuaries, the assumption for morbidity or age-related costs of medical care has been updated.

*Changes in Benefit Terms:*

None

*"This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available"*

**See Notes to the Required Supplementary Information**

Town of Newbury, Massachusetts  
Required Supplementary Information  
Schedule of Contributions - Other Post Employment Benefits  
June 30, 2022  
Last 10 Fiscal Years

	2022	2021	2020	2019	2018	2017
Actuarial determined contribution	\$ 441,823	\$ 586,940	\$ 586,940	\$ 796,754	\$ 688,149	\$ 674,524
Contributions in relating to the actuarially determined contribution	696,267	373,383	373,383	297,896	283,310	254,364
Contribution deficiency (excess)	<u>\$ (254,444)</u>	<u>\$ 213,557</u>	<u>\$ 213,557</u>	<u>\$ 498,858</u>	<u>\$ 404,839</u>	<u>\$ 420,160</u>
Covered payroll	\$ 3,399,353	\$ 3,131,657	\$ 3,040,444	\$ 2,729,195	\$ 2,649,704	N/A
Contributions as a percentage of covered payroll	20.48%	11.92%	12.28%	10.92%	10.69%	N/A

**Notes to Schedule**

Valuation date: July 1, 2021

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual Entry Age Normal
Amortization method	Level dollar
Amortization period	30 Years
Asset valuation method	Market Value of Assets as of the Measurement Date, June 30, 2022
Inflation	2.50 % as of June 30, 2022 and for future periods
Healthcare cost trend rates	4.50% for future periods
Salary increases	3.00 % annually as of June 30, 2021 and for future periods

Investment rate of return 5.86%, net of OPEB plan investment expense, including inflation.

Municipal Bond Rate 4.09% as of June 30, 2020 (source: S&P Municipal Bond 20-Year High Grade Index SAPIHG)

Single Equivalent Discount Rate 5.69 %, net of OPEB plan investment expense, including inflation

Mortality

Pre-Retirement General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females.

Post-Retirement General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.

Disabled General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females

*"The schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available"*

**See Notes to the Required Supplementary Information**

Town of Newbury, Massachusetts  
Required Supplementary Information  
Schedule of Investment Returns - GASB 74  
Last 10 Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	-16.27%	24.29%	2.83%	6.47%	5.33%	7.05%

*"Schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available"*

**See Notes to the Required Supplementary Information**

Town of Newbury, Massachusetts  
Notes to the Required Supplementary Information  
June 30, 2022

(I) Budgetary Information

Budget requests are prepared for the various Town Departments and submitted to the Selectmen and Finance Committee for review during January and February of each year. The Selectmen and Finance Committee have until the annual Town meeting is held, to make any changes to the departments' requests. After approval of the budget at the annual Town meeting, the tax recapitulation (recap) sheet is prepared. During this process the property tax rate is determined and the recap sheet is sent to the Department of Revenue for approval.

Encumbrance accounting is utilized when purchase orders, contracts or other commitments for purchases are recorded in order to reserve that portion of the applicable appropriations. Encumbrances still open at year end are reported as a reservation of fund balance. Encumbrances do not constitute expenditures or liabilities.

(II) Pension Plans

i. Plan Description

The Town provides pension benefits to eligible employees by contributing to the Essex Regional Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Essex Regional Retirement System. The System is administered by a five member board on behalf of all eligible current employees and retirees. The system provides retirement benefits, cost of living adjustments, disability benefits and death benefits.

The Town is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (MGL). The authority to establish and amend benefit provisions requires a statutory change to Chapter 32. The Essex Regional Retirement System issues a stand-alone financial report that is available to the public at:

[https://www.essexregional.com/sites/g/files/vyhlf3121/f/uploads/essex\\_regional\\_retirement\\_system\\_financial\\_statements\\_12-31-2021.pdf](https://www.essexregional.com/sites/g/files/vyhlf3121/f/uploads/essex_regional_retirement_system_financial_statements_12-31-2021.pdf)

or by writing to the Essex Regional Retirement System, 491 Maple Street, Suite 202, Danvers, Massachusetts 01923-4025.

ii. Funding Plan

Active members of the Essex Regional Retirement System contribute either 5%, 7%, 8% or 9% of their gross regular compensation depending on the date upon which their membership began. An additional 2% is required from employees for earnings in excess of \$30,000. The Town is required to pay an actuarially determined rate. The contribution requirements of plan members are determined by M.G.L. Chapter 32. The Town's contribution requirement is established and may be amended by the Essex Regional Retirement System with the approval of the Public Employee Retirement Administration Commission.

iii. Changes in Actuarial Assumptions and Plan Provisions

Actuarial Assumptions

The following changes were reflected in the January 1, 2022, valuation:

- The net investment return assumption decreased from 7.30% to 7.00%.
- The mortality assumption was revised to update the mortality improvement projection scale from MP-2019 to MP-2021 and to change the age set forward for disabled participants from two years to one year.
- The administrative expense assumption increased from \$1,000,000 for calendar year 2020 to \$1,150,000 for calendar year 2022

Plans Provisions

The System increased the COLA base from \$14,000 to \$16,000.

iv. Schedule of Town's Proportionate Share of the Net Pension Liability

The schedule details the Town's percentage of the collective net pension liability, the proportionate amount of the collective net pension liability, the Town's covered payroll, the Town's proportionate share of the collective net pension liability as a percentage of the Town's covered payroll and the fiduciary net position of the plan as a percentage of the total pension liability. As more information becomes available, this will be a ten year schedule.

v. Schedule of the Town's Contributions

The schedule details the Town's contractually required contributions, the contributions made by the Town, the deficiency/(excess) of contributions made by the Town, the Town's covered payroll and the Town's contributions as a percentage of covered payroll. As more information becomes available, this will be a ten year schedule.

(III) Other Postemployment Benefits (OPEB) Disclosures

**Plan Description**

*Plan Administration:* The Town administers all activity related to the other post-employment benefits plan - a single employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all eligible employees of the Town. Management of the plan is vested in the Board of Selectmen and the Town's Treasurer. The Town's Board of Selectmen has the authority to establish and amend benefit terms.

*Benefits Provided:* The Town provides retired employees and their spouses and dependents with payments for a portion of their health care and life insurance benefits. Benefits are provided through a third party insurer.

*Contributions.* The Town pays premiums based on years of service and date of hire. The contribution requirements of plan members and the Town are established by the Town and may be amended from time to time. The Town pays 75% of the total premiums for retirees' health insurance and 75% of the premiums for \$2,000 life insurance policy.



iii. Schedule of Net OPEB Liability and Related Ratios

The schedule provides information about the changes in the OPEB liability and the changes in the fiduciary net position of the plan. The schedule, also, provides the plan fiduciary net position as a percentage of the total OPEB liability, the covered employee payroll and the Town's net OPEB liability as a percentage of covered employee payroll.

iv. Schedule of Contributions - Other Post Employment Benefits

The schedule details the Town's actuarially required contributions, the contributions made by the Town, the deficiency/(excess) of contributions made by the Town, the Town's covered payroll and the Town's contributions as a percentage of covered payroll.

v. Schedule of Investment Rate of Returns - Other Post Employment Benefits

The schedule details the Town's annual money weighted rate of return, net of investment expense.

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

Board of Selectmen  
Town of Newbury  
12 Kent Way  
Suite 101  
Byfield, MA 01922

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Newbury, Massachusetts, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Newbury, Massachusetts' basic financial statements, and have issued our report thereon dated March 13, 2023.

### **Report on Internal Control Over Financial Reporting**

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

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

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

### **Report on Compliance and Other Matters**

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

## **Purpose of this Report**

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

*James J. Giusti, CPA, PC*

James J Giusti, CPA, PC  
Certified Public Accountant  
Georgetown, Massachusetts  
March 13, 2023