

TOWN OF WENHAM, MASSACHUSETTS

***REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS***

YEAR ENDED JUNE 30, 2021

TOWN OF WENHAM, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

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Independent Auditor's Report

To the Honorable Select Board
Town of Wenham, Massachusetts

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wenham, Massachusetts, as of June 30, 2021, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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 9, 2022, on our consideration of the Town of Wenham'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Wenham's internal control over financial reporting.



March 9, 2022

Management's Discussion and Analysis

Management's Discussion and Analysis

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. These basic financial statements comprise of three components: 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 finances, in a manner similar to private-sector business.

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, education, public works, health and human services, culture and recreation, community preservation, and interest. The Town's business-type activities relate to the water activities.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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*.

The Town adopts annual appropriated budgets for its general fund and community preservation fund. Budgetary comparison schedules have been provided as required supplementary information after the notes to the financial statements to demonstrate compliance with these budgets.

Proprietary funds. Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town maintains one proprietary fund to account for its water activities.

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town’s budgetary basis of accounting as well as pension and other postemployment benefits obligations.

Government-wide Financial Analysis

Governmental Activities

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. The Town’s governmental assets and deferred outflows exceeded liabilities and deferred inflows by \$7.3 million at the close of 2021. Key components of the Town’s governmental financial position are listed below.

	2021	2020
Assets:		
Current assets.....	\$ 11,324,273	\$ 10,705,761
Capital assets.....	13,122,540	12,415,321
Total assets.....	24,446,813	23,121,082
Deferred outflows of resources:		
Deferred outflows related to pensions.....	669,610	1,060,702
Deferred outflows related to other postemployment benefits....	140,806	196,267
Total deferred outflows of resources.....	810,416	1,256,969
Liabilities:		
Current liabilities (excluding debt).....	446,699	497,938
Noncurrent liabilities (excluding debt).....	13,138,164	13,544,328
Current debt.....	1,350,273	997,655
Noncurrent debt.....	1,565,008	1,960,901
Total liabilities.....	16,500,144	17,000,822
Deferred inflows of resources:		
Deferred inflows - pensions, opeb and unavailable revenue....	1,418,105	1,761,066
Net position:		
Net investment in capital assets.....	10,207,259	9,456,765
Restricted.....	6,587,202	5,903,457
Unrestricted.....	(9,455,481)	(9,744,059)
Total net position.....	\$ 7,338,980	\$ 5,616,163

Net position of \$10.2 million reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A restricted portion of the net position totaling \$6.6 million represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* has a year-end deficit of \$9.5 million. The long-term liabilities for the Town's proportionate share of the net pension liability, the net OPEB liability and the related deferred inflows/outflows totals \$13.7 million which is the main reason for the deficit unrestricted position.

The governmental activities of the Town are detailed below. The governmental activities net position increased by \$1.7 million during the current year which is primarily due to better than expected revenue collections and surpluses in the general and other funds. These surpluses were offset by the increases in the net pension liability and other postemployment benefits liability.

	2021	2020
Program Revenues:		
Charges for services.....	\$ 1,669,980	\$ 1,705,570
Operating grants and contributions.....	1,039,277	331,626
Capital grants and contributions.....	685,335	442,033
General Revenues:		
Real estate and personal property taxes, net of tax refunds payable.....	18,145,429	16,717,309
Motor vehicle and other excise taxes.....	754,125	741,219
Community preservation tax.....	446,869	404,328
Grants and contributions not restricted to specific programs.....	469,566	463,044
Unrestricted investment income.....	114,689	140,744
Miscellaneous.....	107,838	66,902
Total revenues.....	23,433,108	21,012,775
Expenses:		
General government.....	2,394,933	2,021,578
Public safety.....	3,910,673	3,682,696
Education.....	11,738,252	10,812,304
Public works.....	1,819,376	1,811,749
Health and human services.....	228,689	230,152
Culture and recreation.....	1,472,264	1,463,364
Community preservation.....	76,778	16,521
Interest.....	69,326	104,556
Total expenses.....	21,710,291	20,142,920
Change in net position.....	1,722,817	869,855
Net position, beginning of year	5,616,163	4,746,308
Net position, end of year.....	\$ 7,338,980	\$ 5,616,163

Business-type Activities

The Town's business-type activities reflect the operations of the Town's water enterprise fund. Business-type assets exceeded liabilities by \$1.8 million at the close of 2021. The following table identifies key elements of the net position of the Town's business-type activities.

	2021	2020
Assets:		
Current assets.....	\$ 840,917	\$ 591,870
Capital assets.....	1,178,461	1,146,879
Total assets.....	2,019,378	1,738,749
Liabilities:		
Current liabilities (excluding debt).....	202,845	14,408
Noncurrent liabilities (excluding debt).....	2,591	2,540
Total liabilities.....	205,436	16,948
Net position:		
Net investment in capital assets.....	1,193,571	1,161,989
Unrestricted.....	620,371	559,812
Total net position.....	\$ 1,813,942	\$ 1,721,801

The Town's business-type activities net position increased by \$92,000 during the current year. The results reflect the Town's intention to recover its costs of operations through rates.

	2021	2020
Program Revenues:		
Charges for services.....	\$ 633,407	\$ 501,989
Expenses:		
Water.....	541,266	397,591
Change in net position.....	92,141	104,398
Net position, beginning of year.....	1,721,801	1,617,403
Net position, end of year.....	\$ 1,813,942	\$ 1,721,801

Financial Analysis of the Government's Funds

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

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

As of the end of the current year, governmental funds reported combined ending fund balances of \$9.6 million, a net increase of \$1.1 million from the prior year.

The general fund is the Town's chief operating fund. At the end of the current year, unassigned and total fund balance of the general fund totaled \$1.9 million and \$2.6 million, respectively. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance and total fund balance represent 9.4% and 12.4% of total general fund expenditures, respectively. The general fund total fund balance increased by \$176,000 during 2021 mainly due to a surplus in actual revenue compared to the budget.

The Town has established a community preservation fund, which is funded by a combination of real estate surcharges to taxpayers and a matching grant from the Commonwealth. At the end of 2021, the fund had a positive balance of \$4.1 million, which is recorded in the Community Preservation major governmental fund. As funds accumulate, the Town expects to appropriate funds in accordance with the legislation and in the best interest of the Town of Wenham. During 2021, the fund received \$780,000, and expended \$201,000.

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 capital project fund had an ending fund balance of \$291,000 compared to a fund balance of \$101,000 in the prior year. This increase is mainly due to timing differences between capital expenditures and the receipt of proceeds from long-term borrowing.

In 2020 the Federal Government approved the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which provides federal funding to assist communities in paying costs incurred between March 1, 2020 and December 31, 2020, that are related to the COVID-19 pandemic. The Commonwealth of Massachusetts was awarded \$2.7 billion which is to be allocated amongst local governments based on population. The State has made a portion of these funds available as of June 30, 2021. In 2021, the Town has incurred approximately \$426,000 of COVID related expenses.

Budgetary Highlights

General Fund:

For 2021, the Town adopted a \$21.4 million operating budget for the General Fund. The budget was financed through current revenues, \$6,000 of transfers in from other funds and the use of \$79,000 of prior year reserves. Actual revenues exceed the budget by \$421,000 and expenditures turned back \$557,000 of unexpended appropriations.

Community Preservation Fund:

The Town's Community Preservation Special Revenue fund adopted a \$398,000 revenue budget and appropriated \$1.1 million for new projects. The fund experienced a net increase of \$580,000.

Capital Asset and Debt Administration

Outstanding long-term debt, as of June 30, 2021, totaled \$2.8 million which is comprised of all governmental debt.

During the year, the Town acquired approximately \$1.5 million in new capital assets. Significant additions consisted of infrastructure, vehicles, and equipment.

Please refer to the Notes to the Basic Financial Statements for further discussion of the debt and capital activity.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Wenham Town Hall, 138 Main Street, Wenham, MA 01984.

Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2021

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 4,995,271	\$ 620,105	\$ 5,615,376
Investments.....	4,622,537	-	4,622,537
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	240,322	-	240,322
Tax liens.....	287,493	-	287,493
Community preservation fund surtax.....	5,248	-	5,248
Motor vehicle and other excise taxes.....	65,853	-	65,853
User charges.....	-	220,812	220,812
Departmental and other.....	23,868	-	23,868
Intergovernmental.....	166,227	-	166,227
Community preservation state share.....	359,098	-	359,098
Tax foreclosures.....	368,456	-	368,456
Other assets.....	189,900	-	189,900
Total current assets.....	<u>11,324,273</u>	<u>840,917</u>	<u>12,165,190</u>
NONCURRENT:			
Capital assets, nondepreciable.....	664,059	17,361	681,420
Capital assets, net of accumulated depreciation.....	<u>12,458,481</u>	<u>1,161,100</u>	<u>13,619,581</u>
Total noncurrent assets.....	<u>13,122,540</u>	<u>1,178,461</u>	<u>14,301,001</u>
TOTAL ASSETS.....	<u>24,446,813</u>	<u>2,019,378</u>	<u>26,466,191</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	669,610	-	669,610
Deferred outflows related to other postemployment benefits.....	<u>140,806</u>	<u>-</u>	<u>140,806</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	<u>810,416</u>	<u>-</u>	<u>810,416</u>
LIABILITIES			
CURRENT:			
Warrants payable.....	149,970	193,728	343,698
Accrued payroll.....	224,987	9,117	234,104
Accrued interest.....	21,533	-	21,533
Other liabilities.....	46,076	-	46,076
Compensated absences.....	4,133	-	4,133
Capital lease obligations.....	65,774	-	65,774
Bonds payable.....	<u>1,284,499</u>	<u>-</u>	<u>1,284,499</u>
Total current liabilities.....	<u>1,796,972</u>	<u>202,845</u>	<u>1,999,817</u>
NONCURRENT:			
Capital lease obligations.....	68,008	-	68,008
Compensated absences.....	57,977	2,591	60,568
Net pension liability.....	8,444,668	-	8,444,668
Other postemployment benefits.....	4,635,519	-	4,635,519
Bonds payable.....	<u>1,497,000</u>	<u>-</u>	<u>1,497,000</u>
Total noncurrent liabilities.....	<u>14,703,172</u>	<u>2,591</u>	<u>14,705,763</u>
TOTAL LIABILITIES.....	<u>16,500,144</u>	<u>205,436</u>	<u>16,705,580</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions.....	700,235	-	700,235
Deferred inflows related to other postemployment benefits.....	<u>717,870</u>	<u>-</u>	<u>717,870</u>
TOTAL DEFERRED INFLOWS OF RESOURCES.....	<u>1,418,105</u>	<u>-</u>	<u>1,418,105</u>
NET POSITION			
Net investment in capital assets.....	10,207,259	1,193,571	11,400,830
Restricted for:			
Permanent funds:			
Expendable.....	119,937	-	119,937
Nonexpendable.....	854,414	-	854,414
Gifts and grants.....	1,118,343	-	1,118,343
Community preservation.....	4,494,508	-	4,494,508
Unrestricted.....	<u>(9,455,481)</u>	<u>620,371</u>	<u>(8,835,110)</u>
TOTAL NET POSITION.....	<u>\$ 7,338,980</u>	<u>\$ 1,813,942</u>	<u>\$ 9,152,922</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 2,394,933	\$ 136,970	\$ 951,192	\$ -	\$ (1,306,771)
Public safety.....	3,910,673	478,259	35,986	-	(3,396,428)
Education.....	11,738,252	-	-	-	(11,738,252)
Public works.....	1,819,376	125,100	-	157,072	(1,537,204)
Health and human services.....	228,689	15,053	20,067	-	(193,569)
Culture and recreation.....	1,472,264	914,598	32,032	-	(525,634)
Community preservation.....	76,778	-	-	528,263	451,485
Interest.....	69,326	-	-	-	(69,326)
Total Governmental Activities.....	21,710,291	1,669,980	1,039,277	685,335	(18,315,699)
<i>Business-Type Activities:</i>					
Water.....	541,266	633,407	-	-	92,141
Total Primary Government.....	\$ 22,251,557	\$ 2,303,387	\$ 1,039,277	\$ 685,335	\$ (18,223,558)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page..... \$	(18,315,699)	92,141	(18,223,558)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	18,145,429	-	18,145,429
Motor vehicle and other excise taxes.....	754,125	-	754,125
Community preservation tax.....	446,869	-	446,869
Grants and contributions not restricted to specific programs.....	469,566	-	469,566
Unrestricted investment income.....	114,689	-	114,689
Miscellaneous.....	107,838	-	107,838
Total general revenues and transfers.....	20,038,516	-	20,038,516
Change in net position.....	1,722,817	92,141	1,814,958
<i>Net position:</i>			
Beginning of year.....	5,616,163	1,721,801	7,337,964
End of year..... \$	7,338,980	1,813,942	9,152,922

(Concluded)

See notes to basic financial statements.

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2021

	General	Community Preservation	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents.....	\$ 2,844,832	\$ 773,131	\$ 291,011	\$ 1,086,297	\$ 4,995,271
Investments.....	-	3,357,178	-	1,265,359	4,622,537
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	240,322	-	-	-	240,322
Tax liens.....	287,493	-	-	-	287,493
Community preservation fund surtax.....	-	5,248	-	-	5,248
Motor vehicle and other excise taxes.....	65,853	-	-	-	65,853
Departmental and other.....	721	-	-	23,147	23,868
Intergovernmental.....	-	-	-	166,227	166,227
Community preservation state share.....	-	359,098	-	-	359,098
Tax foreclosures.....	368,456	-	-	-	368,456
Other assets.....	-	-	-	189,900	189,900
TOTAL ASSETS.....	\$ 3,807,677	\$ 4,494,655	\$ 291,011	\$ 2,730,930	\$ 11,324,273
LIABILITIES					
Warrants payable.....	\$ 89,404	\$ -	\$ -	\$ 60,566	\$ 149,970
Accrued payroll.....	214,562	147	-	10,278	224,987
Other liabilities.....	427	-	-	45,649	46,076
TOTAL LIABILITIES.....	304,393	147	-	116,493	421,033
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue.....	921,226	364,361	-	56,547	1,342,134
FUND BALANCES					
Nonspendable.....	-	-	-	1,044,314	1,044,314
Restricted.....	-	4,130,147	291,011	1,513,576	5,934,734
Assigned.....	635,410	-	-	-	635,410
Unassigned.....	1,946,648	-	-	-	1,946,648
TOTAL FUND BALANCES.....	2,582,058	4,130,147	291,011	2,557,890	9,561,106
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 3,807,677	\$ 4,494,655	\$ 291,011	\$ 2,730,930	\$ 11,324,273

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION**

JUNE 30, 2021

Total governmental fund balances.....	\$	9,561,106
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		13,122,540
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		1,342,134
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....		(607,689)
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(21,533)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(2,781,499)	
Net pension liability.....	(8,444,668)	
Other postemployment benefits.....	(4,635,519)	
Capital lease obligations.....	(133,782)	
Compensated absences.....	<u>(62,110)</u>	
Net effect of reporting long-term liabilities.....		<u>(16,057,578)</u>
Net position of governmental activities.....	\$	<u><u>7,338,980</u></u>

See notes to basic financial statements.

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

	General	Community Preservation	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 18,144,733	\$ -	\$ -	\$ -	\$ 18,144,733
Motor vehicle and other excise taxes.....	815,766	-	-	-	815,766
Fees and rentals.....	-	-	-	13,642	13,642
Intergovernmental - state aid.....	463,534	-	-	351,505	815,039
Intergovernmental - other.....	910,562	-	-	821,022	1,731,584
Departmental and other.....	626,136	-	-	231,845	857,981
Community preservation taxes.....	-	449,507	-	-	449,507
Community preservation state match.....	-	243,665	-	-	243,665
Contributions and donations.....	-	-	-	49,406	49,406
Investment income.....	16,247	87,248	-	11,194	114,689
Miscellaneous.....	7,753	-	-	-	7,753
TOTAL REVENUES.....	20,984,731	780,420	-	1,478,614	23,243,765
EXPENDITURES:					
Current:					
General government.....	1,277,281	-	13,500	389,348	1,680,129
Public safety.....	2,344,625	-	564,563	503,843	3,413,031
Education.....	11,738,252	-	-	-	11,738,252
Public works.....	1,561,016	-	335,850	289,841	2,186,707
Health and human services.....	168,640	-	-	6,680	175,320
Culture and recreation.....	1,031,919	-	18,000	48,944	1,098,863
Community preservation.....	-	76,778	-	-	76,778
Pension benefits.....	846,050	-	-	-	846,050
Property and liability insurance.....	136,774	-	-	-	136,774
Employee benefits.....	830,098	-	-	-	830,098
State and county charges.....	154,110	-	-	-	154,110
Debt service:					
Principal.....	411,887	105,000	-	-	516,887
Principal payment on current refunding.....	202,741	-	-	-	202,741
Interest.....	54,814	19,000	-	-	73,814
TOTAL EXPENDITURES.....	20,758,207	200,778	931,913	1,238,656	23,129,554
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	226,524	579,642	(931,913)	239,958	114,211
OTHER FINANCING SOURCES (USES):					
Issuance of bonds.....	-	-	717,450	-	717,450
Issuance of refunding bonds.....	175,936	-	-	-	175,936
Capital lease financing.....	103,350	-	-	-	103,350
Transfers in.....	6,000	-	336,300	-	342,300
Transfers out.....	(336,300)	-	-	(6,000)	(342,300)
TOTAL OTHER FINANCING SOURCES (USES)...	(51,014)	-	1,053,750	(6,000)	996,736
NET CHANGE IN FUND BALANCES.....	175,510	579,642	121,837	233,958	1,110,947
FUND BALANCES AT BEGINNING OF YEAR.....	2,406,548	3,550,505	169,174	2,323,932	8,450,159
FUND BALANCES AT END OF YEAR.....	\$ 2,582,058	\$ 4,130,147	\$ 291,011	\$ 2,557,890	\$ 9,561,106

See notes to basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2021

Net change in fund balances - total governmental funds.....		\$ 1,110,947
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	1,385,659	
Depreciation expense.....	<u>(678,440)</u>	
Net effect of reporting capital assets.....		707,219
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		189,343
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction 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 unavailable and amortized in the Statement of Activities.</p>		
Principal payments on capital leases.....	77,933	
Issuance of bonds.....	(717,450)	
Issuance of refunding bonds.....	(175,936)	
Principal payment on advanced refunded debt.....	202,741	
Capital lease financing.....	(103,350)	
Debt service principal payments.....	<u>516,887</u>	
Net effect of reporting long-term debt.....		(199,175)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	989	
Net change in accrued interest on long-term debt.....	4,488	
Net change in deferred outflow/(inflow) of resources related to pensions.....	(610,702)	
Net change in net pension liability.....	484,457	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits..	112,604	
Net change in other postemployment benefits liability.....	<u>(77,353)</u>	
Net effect of recording long-term liabilities.....		<u>(85,517)</u>
Change in net position of governmental activities.....		\$ <u><u>1,722,817</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2021

	Water
ASSETS	
CURRENT:	
Cash and cash equivalents.....	\$ 620,105
Receivables, net of allowance for uncollectibles:	
User charges.....	220,812
Total current assets.....	840,917
NONCURRENT:	
Capital assets, non depreciable.....	17,361
Capital assets, net of accumulated depreciation.....	1,161,100
Total noncurrent assets.....	1,178,461
TOTAL ASSETS.....	2,019,378
LIABILITIES	
CURRENT:	
Warrants payable.....	193,728
Accrued payroll.....	9,117
Total current liabilities.....	202,845
NONCURRENT:	
Compensated absences.....	2,591
TOTAL LIABILITIES.....	205,436
NET POSITION	
Net investment in capital assets.....	1,193,571
Unrestricted.....	620,371
TOTAL NET POSITION.....	\$ 1,813,942

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2021

		Water
<u>OPERATING REVENUES:</u>		
Charges for services.....	\$	633,407
<u>OPERATING EXPENSES:</u>		
Cost of services and administration.....		280,695
Salaries and wages.....		186,629
Depreciation.....		73,942
TOTAL OPERATING EXPENSES.....		541,266
CHANGE IN NET POSITION.....		92,141
NET POSITION AT BEGINNING OF YEAR.....		1,721,801
NET POSITION AT END OF YEAR.....	\$	1,813,942

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2021

	Water
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Receipts from customers and users.....	\$ 603,726
Payments to vendors.....	(93,332)
Payments to employees.....	(185,504)
NET CASH FROM OPERATING ACTIVITIES.....	324,890
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>	
Acquisition and construction of capital assets.....	(105,524)
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	219,366
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	400,739
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 620,105
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u>	
<u>FROM OPERATING ACTIVITIES:</u>	
Operating income (loss).....	\$ 92,141
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation.....	73,942
Changes in assets and liabilities:	
User charges.....	(29,681)
Warrants payable.....	187,363
Accrued payroll.....	1,074
Compensated absences.....	51
Total adjustments.....	232,749
NET CASH FROM OPERATING ACTIVITIES.....	\$ 324,890

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2021

		Other Postemployment Benefit Trust Fund
ASSETS		
Cash and cash equivalents.....	\$	1,568
Investments:		
Equity mutual funds.....		218,493
Fixed income mutual funds.....		101,605
TOTAL ASSETS.....		321,666
NET POSITION		
Restricted for other postemployment benefits.....	\$	321,666

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2021

	Other Postemployment Benefit Trust Fund
ADDITIONS:	
Contributions:	
Employer contributions.....	\$ 60,000
Employer contributions for other postemployment benefit payments.....	228,601
Total contributions.....	288,601
Net investment income:	
Investment income.....	58,218
TOTAL ADDITIONS.....	346,819
DEDUCTIONS:	
Other postemployment benefit payments.....	228,601
NET INCREASE (DECREASE) IN NET POSITION.....	118,218
NET POSITION AT BEGINNING OF YEAR.....	203,448
NET POSITION AT END OF YEAR.....	\$ 321,666

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Wenham, Massachusetts (the Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

A. Reporting Entity

The Town is a municipal corporation governed by an elected three member Select Board and an appointed Town Administrator.

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. The Town has one component unit that requires inclusion in these basic financial statements.

During 2010 the Town established the Wenham Affordable Housing Trust, which is reported within the nonmajor governmental funds. The Trust Fund was initially funded with a gift received in 2008 from a real estate developer for \$703,000. That balance, plus accumulated interest and a \$208,000 contribution from the CPA Fund is being used to increase the Town's stock of affordable housing units. The funds were used to purchase two properties during 2010. One property was sold during 2011 and the other is being held for future resale. The cost to acquire the properties totaled \$517,000. The net realizable value of the property held is estimated at \$189,900. In 2013, the WHAT Friend Court, LLC was created as a Massachusetts single-member manager-managed limited liability company. The single member is the Wenham Affordable Housing Trust and as such the LLC is reported as a blended component unit. Ownership of the property has been transferred from the Town's Affordable Housing Trust to the LLC.

The Town has an agreement with the Town of Hamilton to operate a Joint Public Library under the direction of a Joint Board of Library Trustees. The Town is the administrator for all matters associated with the management of the Joint Public Library. All revenues and expenditures related to the operation of the Joint Public Library are accounted for in the Town's General Fund. Reimbursements from the Town of Hamilton for their apportioned share of expenditures are recorded as intergovernmental revenue. In 2021 operating expenses were approximately \$958,000 of which the Town's share totaled \$47,000 and Hamilton's share totaled \$911,000. The \$911,000 is reported as intergovernmental revenue.

The Town also has an agreement with the Town of Hamilton to operate a joint recreation. The program is operated by the Town of Hamilton. The Town of Wenham reimburses Hamilton for Wenham's share of the program. Reimbursements to Hamilton for the program totaled \$89,000 in 2021.

The Town is a member of the Hamilton-Wenham Regional School District (the District) which provides educational services for all levels of schools to both communities. This joint venture assesses each community its share of operating and debt service costs based on student population and other factors. In 2021, Wenham's share of the operating expense totaled \$11,447,446 and its share of the debt service expense totaled \$149,349. There is no equity interest required to be reported in the basic financial statements. Complete audited financial statements can be obtained directly from the District's administrative office located at 5 School Street, Wenham, Massachusetts, 01984.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

Fund Financial Statements

The GASB requires separate financial statements be provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

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 percent of the corresponding element 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 percent 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.

Internal service funds and fiduciary funds are reported by fund type.

C. 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. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal 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.

The statement of activities demonstrates the degree to which the direct expenses of a particular 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 the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.

- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

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

Real estate and personal property tax revenues are considered available if they are collected within 60 days after year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *community preservation fund* is used to account for the proceeds of a surcharge to real estate taxes along with a matching state grant. These funds must be spent in accordance with state law.

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 nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

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 *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 following proprietary fund type is reported:

The *water enterprise fund* is used to account for the Town's water activities.

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 following fiduciary fund type is reported:

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

D. Cash and Investments

Government-Wide and Fund Financial Statements

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

E. Fair Value Measurements

The Town reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the Town's financial instruments, see Note 2 – Cash and Investments.

F. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessors for 100% of the estimated fair market value. Taxes are due on August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the year of the levy.

Real estate tax liens are processed after the close of the valuation year on delinquent properties and are recorded as receivables in the year they are processed.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Motor Vehicle Excise

Motor vehicle excise taxes are assessed annually for each vehicle registered and are recorded as receivables in the year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Water Fees

Water user fees are levied quarterly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Unbilled user fees are estimated at year-end and are recorded as

revenue in the current period. Water liens are processed after year-end and included as a lien on the property owner’s tax bill.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Intergovernmental

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

G. Inventories

Government-Wide and Fund Financial Statements

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

H. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which include land, buildings, machinery and equipment, and infrastructure (e.g., roads, water mains, and similar items), are reported in the applicable governmental activity column of the government-wide financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Capital assets of the governmental activities column in the government-wide financial statements do not include construction period interest.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Buildings.....	40
Machinery and equipment.....	5-50
Vehicles.....	3-10
Infrastructure.....	10-60

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the year of the purchase.

I. Deferred Outflows/Inflows of Resources*Government-Wide Financial Statements (Net Position)*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Town has recorded deferred outflows of resources related to pensions and OPEB on the government-wide statement of net position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town recorded a deferred inflow related to pensions and OPEB on the government-wide statement of net position.

Governmental Fund Financial Statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents assets that have been recorded in the governmental fund financial statements but the revenue is not available and so will *not* be recognized as an inflow of resources (revenue) until it becomes available. The Town has recorded unavailable revenue as deferred inflows of resources in the governmental funds balance sheet.

J. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are *not* eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

Government Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds are eliminated from the governmental activities in the statement of net position.

K. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out.

Fund Financial Statements

Transfers between and within funds are *not* eliminated from the individual fund statements and are reported as transfers in and transfers out.

Government-Wide Financial Statements

Transfers between and within governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the Statement of Activities as "Transfers, net".

L. Net Position and Fund Equity*Government-Wide Financial Statements (Net Position)*

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net position has been "restricted for" the following:

"Permanent funds - expendable" represents the amount of realized and unrealized investment earnings of donor restricted trusts. The donor restrictions and trustee policies only allow the trustees to approve spending of the realized investment earnings that support governmental programs.

"Permanent funds - nonexpendable" represents the endowment portion of donor restricted trusts that support governmental programs.

"Grants and gifts" represents restrictions placed on assets from outside parties and consist primarily of gifts and federal and state grants.

"Community preservation" represents amounts held for uses restricted by law for community preservation purposes.

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Financial Statements (Fund Balances)

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

"Nonspendable" fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

“Restricted” fund balance includes amounts subject to constraints placed on the use of resources that is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. Town Meeting is the highest level of decision making authority that can, by Town Meeting vote, commit funds for a specific purpose. Once voted, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a vote is taken to rescind the commitment.

“Assigned” fund balance includes amounts that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed. The Town’s by-laws authorize the Town Accountant to assign fund balance. Assignments generally only exist temporarily. Additional action does not have to be taken for the removal of an assignment.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

M. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

N. 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 (System) and additions to/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.

O. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

P. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide and Proprietary Fund Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities.

Q. Use of Estimates*Government-Wide and Fund Financial Statements*

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

R. 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 information.

NOTE 2 – CASH AND INVESTMENTS

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

Statutes authorize the Town to invest in obligations of the U.S. Treasury, agencies, instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's investment pool (the Pool). In addition, there are various restrictions limiting the amount and length of deposits and investments.

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town has not formally adopted a policy for custodial credit risk of deposits. At year-end, the carrying amount of deposits totaled \$5,616,944 and the bank balance totaled \$5,974,019. Of the bank balance, \$795,227 was covered by Federal Depository Insurance, \$2,489,837 was covered by Depositors Insurance Fund, and \$2,688,955 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

As of June 30, 2021, the Town had the following investments:

<u>Investment Type</u>	<u>Fair value</u>	<u>Maturities</u>		
		<u>Under 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>
<u>Debt securities:</u>				
U.S. treasury bonds.....	\$ 694,495	\$ 574,429	\$ 120,066	\$ -
Government sponsored enterprises.....	481,569	-	367,321	114,248
Corporate bonds.....	<u>2,454,932</u>	<u>431,063</u>	<u>2,023,869</u>	<u>-</u>
Total debt securities.....	3,630,996	<u>\$ 1,005,492</u>	<u>\$ 2,511,256</u>	<u>\$ 114,248</u>
<u>Other investments:</u>				
Equity securities.....	626,098			
Equity mutual funds.....	218,493			
Fixed income mutual funds.....	<u>467,048</u>			
Total investments.....	<u>\$ 4,942,635</u>			

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Town's investments of \$694,495 in U.S. treasury notes, \$481,569 in government sponsored enterprise, \$2,454,932 in corporate bonds, and \$626,098 in equity securities all have custodial credit risk exposure because the related securities are uninsured, unregistered and are not held in the Town's name.

The Town has adopted a custodial credit risk policy requiring all securities not held directly by the Town be held in the Town's name and tax identification number by a third party custodian approved by the Treasurer and evidenced by safekeeping receipts showing individual CUSIP numbers for each security.

Interest Rate Risk

The Town's policy limits the investment duration as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Town's policy for credit risk states the Town will manage credit risk several ways. There will be no limit to the amount of U.S. treasury and U.S. government agency obligations. In regard to other investments, the Town will only purchase investment grade securities. The Town may invest in the Massachusetts Municipal Depository Trust (MMDT) with no limit to the amount of funds placed in the fund.

The Town’s investments at June 30, 2021, are rated as follows:

<u>Quality Rating</u>	<u>Government Sponsored Enterprises</u>	<u>Corporate Bonds</u>
AA+.....	481,569	-
A+.....	-	788,425
A-.....	-	525,779
BBB+.....	-	854,011
BBB.....	-	286,717
Total.....	\$ <u>481,569</u>	\$ <u>2,454,932</u>

Concentration of Credit Risk

The Town limits the amount that may be invested in any one issuer, except for MMDT, to no more than 5% of an institution’s assets and no more than 30% of the Town’s total investments. At June 30, 2021, the Town did not have more than 30% of the Town’s investments in with any one issuer.

Fair Value of Investments

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 categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town has the following recurring fair value measurements as of June 30, 2021:

Investment Type	June 30, 2021	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value:				
<u>Debt securities:</u>				
U.S. treasury bonds.....	\$ 694,495	\$ 694,495	\$ -	-
Government sponsored enterprises.....	481,569	481,569	-	-
Corporate bonds.....	2,454,932	-	2,454,932	-
Total debt securities.....	3,630,996	1,176,064	2,454,932	-
<u>Other investments:</u>				
Equity securities.....	626,098	626,098	-	-
Equity mutual funds.....	218,493	218,493	-	-
Fixed income mutual funds.....	467,048	467,048	-	-
Total other investments.....	1,311,639	1,311,639	-	-
Total investments measured at fair value.....	4,942,635	\$ 2,487,703	\$ 2,454,932	\$ -
Total investments.....	\$ 4,942,635			

U.S. Treasury notes, government sponsored enterprises, equity securities and mutual Funds classified in Level 1 of the fair value hierarchy are 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. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices.

NOTE 3 – RECEIVABLES

At June 30, 2021, receivables for the governmental funds, in the aggregate, including the applicable allowance for uncollectibles, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 243,560	\$ (3,238)	\$ 240,322
Tax liens.....	287,493	-	287,493
Community preservation fund surtax.....	5,248	-	5,248
Motor vehicle and other excise taxes.....	85,335	(19,482)	65,853
Departmental and other.....	23,868	-	23,868
Intergovernmental - highway improvements.....	166,227	-	166,227
Community preservation state share.....	359,098	-	359,098
Total.....	<u>\$ 1,170,829</u>	<u>\$ (22,720)</u>	<u>\$ 1,148,109</u>

At June 30, 2021, receivables for the water enterprise consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water user charges.....	\$ 220,812	\$ -	\$ 220,812

Governmental funds report *deferred inflows of resources* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of *deferred inflows of resources* reported in the governmental funds were as follows:

	General Fund	Community Preservation	Other Governmental Funds	Total
<u>Receivables:</u>				
Real estate and personal property taxes.....	\$ 854,652	\$ -	\$ -	\$ 854,652
Community preservation fund.....	-	364,361	-	364,361
Motor vehicle and other excise taxes.....	65,853	-	-	65,853
Departmental and other.....	721	-	23,147	23,868
Intergovernmental - highway improvements.....	-	-	33,400	33,400
Total.....	<u>\$ 921,226</u>	<u>\$ 364,361</u>	<u>\$ 56,547</u>	<u>\$ 1,342,134</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 486,680	\$ -	\$ -	\$ 486,680
Construction in progress.....	177,379	-	-	177,379
Total capital assets not being depreciated....	664,059	-	-	664,059
<u>Capital assets being depreciated:</u>				
Buildings.....	10,469,814	-	-	10,469,814
Machinery and equipment.....	4,565,640	148,850	-	4,714,490
Vehicles.....	2,904,354	687,076	-	3,591,430
Infrastructure.....	4,627,007	549,733	-	5,176,740
Total capital assets being depreciated.....	22,566,815	1,385,659	-	23,952,474
<u>Less accumulated depreciation for:</u>				
Buildings.....	(3,910,962)	(253,988)	-	(4,164,950)
Machinery and equipment.....	(3,201,268)	(122,370)	-	(3,323,638)
Vehicles.....	(2,514,401)	(116,741)	-	(2,631,142)
Infrastructure.....	(1,188,922)	(185,341)	-	(1,374,263)
Total accumulated depreciation.....	(10,815,553)	(678,440)	-	(11,493,993)
Total capital assets being depreciated, net.....	11,751,262	707,219	-	12,458,481
Total governmental activities capital assets, net.....	\$ 12,415,321	\$ 707,219	\$ -	\$ 13,122,540
	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 17,361	\$ -	\$ -	\$ 17,361
<u>Capital assets being depreciated:</u>				
Machinery and equipment.....	804,589	-	-	804,589
Vehicles.....	124,432	-	-	124,432
Infrastructure.....	1,288,916	105,524	-	1,394,440
Total capital assets being depreciated.....	2,217,937	105,524	-	2,323,461
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(427,432)	(20,053)	-	(447,485)
Vehicles.....	(77,978)	(16,294)	-	(94,272)
Infrastructure.....	(583,009)	(37,595)	-	(620,604)
Total accumulated depreciation.....	(1,088,419)	(73,942)	-	(1,162,361)
Total capital assets being depreciated, net.....	1,129,518	31,582	-	1,161,100
Total business-type activities capital assets, net.....	\$ 1,146,879	\$ 31,582	\$ -	\$ 1,178,461

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government.....	\$ 207,036
Public safety.....	106,451
Public works.....	257,518
Health and human services.....	2,270
Culture and recreation.....	<u>105,165</u>
 Total depreciation expense - governmental activities.....	 \$ <u><u>678,440</u></u>
 Business-Type Activities:	
Water.....	\$ <u><u>73,942</u></u>

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the end of year, are summarized as follows:

Transfers Out:	Transfers In:		
	General fund	Capital Projects	Total
General fund.....	\$ -	\$ 336,300	\$ 336,300 (1)
Nonmajor governmental funds.....	<u>6,000</u>	<u>-</u>	<u>6,000</u> (2)
 Total.....	 \$ <u><u>6,000</u></u>	 \$ <u><u>336,300</u></u>	 \$ <u><u>342,300</u></u>

- (1) Budgeted transfer from the general fund and into the capital projects fund.
- (2) The cemetery perpetual care fund transferred to the general fund to maintain the cemeteries.

NOTE 6 – CAPITAL LEASES

The Town has entered into several lease agreements to finance the acquisition of vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The following identifies the assets acquired through capital lease agreements:

Asset:	Governmental Activities
Machinery and equipment.....	\$ 546,603
Less: accumulated depreciation...	<u>(126,396)</u>
 Total.....	 \$ <u><u>420,207</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments at June 30, 2021, are as follows:

Years ending June 30:	Governmental Activities
2022.....	\$ 70,318
2023.....	70,319
Total minimum lease payments.....	140,637
Less: amounts representing interest.....	(6,855)
Present value of minimum lease payments... \$	<u>133,782</u>

NOTE 7 – SHORT-TERM FINANCING

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

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations of the Town and carry maturity dates that are limited by statute. Interest expenditures for short-term borrowings are accounted for in the General Fund.

Details related to the short-term debt activity for the year ended June 30, 2021, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2020	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2021
Governmental Funds:							
BAN	Municipal Purpose.....	1.58%	05/27/21	\$ 242,450	\$ -	\$ (242,450)	\$ -
BAN	Municipal Purpose.....	0.70%	05/27/21	-	475,000	(475,000)	-
BAN	Municipal Purpose.....	0.42%	05/24/22	-	468,113	(468,113)	-
BAN	Municipal Purpose.....	0.69%	05/24/22	-	418,386	(418,386)	-
Total Governmental Funds.....				\$ 242,450	\$ 1,361,499	\$ (1,603,949)	\$ -

NOTE 8 – LONG-TERM DEBT

State law permits the Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5% of its equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, a Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

The Town has recorded a BAN as long-term and has budgeted an annual paydown and rollover the remaining balance annually for ten years. The \$202,741 debt was due in June and the Town paid down \$26,805 of principal and completed a current refunding of \$175,936 maturing in June 2022. There was no gain or loss on the current refunding.

Details related to the Town's debt service requirements at June 30, 2021 are as follows:

Bonds Payable Schedule

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2021
Drainage/Road Repair.....	2023	\$ 656,811	2.00 - 3.25	\$ 152,000
ESCO.....	2023	288,000	2.00 - 2.25	48,000
Town Hall/Police Station.....	2027	2,965,300	2.00 - 4.00	1,695,000
Iron Rail Project.....	2022	245,000	0.69%	175,936
Longfellow and South Street.....	2022	242,450	0.69%	242,450
Fire Truck.....	2022	468,113	0.42%	468,113
Total Bonds Payable, net.....				\$ <u>2,781,499</u>

Debt service requirements for principal and interest for governmental bonds payable in future years are as follows:

Year	Principal	Interest	Total
2022.....	\$ 1,281,499	\$ 53,375	\$ 1,334,874
2023.....	390,000	44,025	434,025
2024.....	280,000	36,350	316,350
2025.....	280,000	27,600	307,600
2026.....	275,000	16,500	291,500
2027.....	275,000	5,500	280,500
Total.....	\$ <u>2,781,499</u>	\$ <u>183,350</u>	\$ <u>2,964,849</u>

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2021, the Town did not have any authorized and unissued debt.

General Long-Term Liabilities

The Town records its liability for long-term bonds and notes in the Government-wide financial statements. Other general long-term obligations recognized by the Town are its obligations for compensated absence benefits (sick and vacation pay), net pension liability, and other postemployment benefits.

During the year ended June 30, 2021, the following changes occurred in long-term liabilities:

	Beginning Balance	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Governmental Activities:							
Long-term bonds payable.....	\$ 2,607,741	\$ 893,386	\$ (719,628)	\$ -	\$ -	\$ 2,781,499	\$ 1,284,499
Capital lease obligations.....	108,365	-	-	67,880	(42,463)	133,782	65,774
Compensated absences.....	63,099	-	-	5,073	(6,062)	62,110	4,133
Net pension liability.....	8,929,125	-	-	463,220	(947,677)	8,444,668	-
Net postemployment benefits.....	4,558,166	-	-	330,703	(253,350)	4,635,519	-
Total governmental activity long-term liabilities.....	\$ 16,266,496	\$ 893,386	\$ (719,628)	\$ 866,876	\$ (1,249,552)	\$ 16,057,578	\$ 1,354,406
Business-Type Activities:							
Compensated absences.....	\$ 2,540	\$ -	\$ -	\$ 51	\$ -	\$ 2,591	\$ -

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The Town classifies fund balance according to the constraints imposed on the uses of the resources.

There are two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Town has reported principal portions of endowment funds as nonspendable.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

The Town has classified its fund balances with the following hierarchy:

	General	Community Preservation	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:					
Nonspendable:					
Permanent fund principal.....	\$ -	\$ -	\$ -	\$ 854,414	\$ 854,414
Assets Held for Resale.....	-	-	-	189,900	189,900
Restricted for:					
Community Preservation.....	-	4,130,147	-	-	4,130,147
Capital projects.....	-	-	291,011	-	291,011
Affordable Housing.....	-	-	-	543,613	543,613
Federal and State grants.....	-	-	-	64,204	64,204
Receipts Reserved for Appropriation.....	-	-	-	44,919	44,919
Gifts Funds.....	-	-	-	275,707	275,707
Revolving Funds.....	-	-	-	465,196	465,196
Expendable Trust Funds.....	-	-	-	119,937	119,937
Assigned to:					
General government.....	33	-	-	-	33
Public safety.....	10,420	-	-	-	10,420
Public works.....	48,750	-	-	-	48,750
Health and human services.....	207	-	-	-	207
Free cash used for subsequent year budget.....	576,000	-	-	-	576,000
Unassigned.....	1,946,648	-	-	-	1,946,648
Total Fund Balances.....	\$ 2,582,058	\$ 4,130,147	\$ 291,011	\$ 2,557,890	\$ 9,561,106

Massachusetts General Law Ch.40 §5B allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body.

In accordance with Statement No. 54, the Town’s \$559,603 stabilization fund has been reported in the general fund as unassigned.

NOTE 10 – PENSION PLAN

Plan Description

The Town is a member of the Essex Regional Retirement System (ERRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 47 member units. The System is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System issues a publicly available, audited financial report that may be obtained by contacting the System located at 491 Maple Street, Suite 202, Danvers, MA 01923 or by visiting www.essexregional.com.

Benefits Provided

The System provides retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member’s highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member’s age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

There were no changes in benefit terms that affect the measurement of the total pension liability this year.

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the ERRS a legislatively mandated actuarially determined contribution that is apportioned among the employers based on active current payroll. The Town's proportionate share of the required contribution equaled its actual contribution for the year ended December 31, 2020 which was \$821,432 and 24.33% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

Pension Liabilities

At June 30, 2021, the Town reported a liability of \$8,444,668 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. 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. At December 31, 2020, the Town's proportion was 2.13%, which increased from 2.12% its proportion measured at December 31, 2019.

Pension Expense

For the year ended June 30, 2021, the Town recognized pension expense of \$947,676. At June 30, 2021, the Town reported deferred outflows and inflows of resources related to pensions of \$669,610 and \$700,235, respectively, from the net difference between expected and actual experience, between projected and actual investment earnings on pension plan investments along with changes in proportion.

The balances of deferred outflows and inflows at June 30, 2021 consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 923	\$ (7,241)	\$ (6,318)
Difference between projected and actual earnings.....	-	(628,288)	(628,288)
Changes in assumptions.....	564,934	-	564,934
Changes in proportion and proportionate share of contributions...	103,753	(64,706)	39,047
Total deferred outflows/(inflows) of resources.....	\$ 669,610	\$ (700,235)	\$ (30,625)

The Town’s deferred outflows/ (inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022.....	\$ 105,293
2023.....	71,695
2024.....	(115,287)
2025.....	(92,326)
Total.....	\$ (30,625)

Actuarial Assumptions

The total pension liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2020:

Valuation date.....	January 1, 2020
Salary increases.....	Based on years of service, ranging from 7.50% at 0 years of service decreasing to 3.75% after 5 years of service.
Net investment return/discount rate.....	7.30%
Inflation rate.....	2.75%
Cost of living adjustments.....	2% of first \$14,000 for fiscal 2021 and 3% of first \$14,000 thereafter.
Mortality rates:	
Pre-retirement.....	RP-2014 Employee Mortality Table projected generationally with Scale MP-2019.
Healthy Retiree.....	RP-2014 Healthy Annuitant Mortality Table projected generationally with Scale MP-2019.
Disabled Retiree.....	RP-2014 Healthy Annuitant Mortality Table set forward two years projected generationally with Scale MP-2019.

Investment policy

The pension plan’s policy in regard to the allocation of invested assets is established by PRIT. 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. Best estimates of geometric real rates of return for each major asset class included in the pension plan’s target asset allocation as of January 1, 2020, are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity.....	22.00%	6.28%
International developed markets equity..	12.00%	7.00%
International emerging markets equity...	5.00%	8.82%
Core fixed income.....	15.00%	0.38%
High-yield fixed income.....	8.00%	2.97%
Real estate.....	10.00%	3.50%
Commodities.....	4.00%	5.51%
Hedge fund, GTAA, Risk parity.....	10.00%	2.35%
Private equity.....	14.00%	10.11%
Total.....	100.00%	

Rate of Return

For the year ended December 31, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 12.14%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amount actually invested.

Discount rate

The discount rate used to measure the total pension liability was 7.30%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. 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 net position liability to changes in the discount rate

The following presents the net position liability, calculated using the discount rate of 7.30%, as well as what the net position liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.30%) or 1-percentage-point higher (8.30%) than the current rate:

	1% Decrease (6.30%)	Current Discount (7.30%)	1% Increase (8.30%)
The Town's proportionate share of the net pension liability.....	\$ 10,813,051	\$ 8,444,668	\$ 6,454,023

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued Essex Regional Retirement System financial report.

Changes in Assumptions

None.

Changes in Plan Provisions

None.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The Town of Wenham administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides healthcare, dental, and life insurance for eligible retirees and their spouses through the Town’s group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy

The contribution requirements of plan members and the Town are established and may be amended by the Town. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 75 percent of the cost of current-year premiums for health and life insurance for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 25 percent of their premium costs for health and life insurance and all of the premiums related to dental insurance. During 2021, the Town contributed approximately \$289,000 to the plan.

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish a postemployment benefit trust fund for the purpose of accumulating assets to pre-fund its OPEB liabilities. The Town Treasurer is the custodian and Trustee of the OPEB Fund. The Trustee has the authority to employ an Executive Director, outside investment managers, custodians, consultants, and others as it deems necessary to formulate policies and procedures and to take such other actions as necessary and appropriate to manage the assets.

During 2021, the Town pre-funded future OPEB liabilities totaling approximately \$60,000 by contributing funds to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2021, the balance of this fund totaled \$321,666. The Town has adopted a long-term policy of pre-funding future OPEB liabilities. The policy may be amended at any time by the Town’s Select Board.

Measurement Date

The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2019.

Employees Covered by Benefit Terms

The following table represents the Plan’s membership at June 30, 2021:

Active members.....	45
Inactive members currently receiving benefits.....	<u>36</u>
Total.....	<u><u>81</u></u>

Components of OPEB Liability

The following table represents the components of the Plan’s OPEB liability as of June 30, 2021:

Total OPEB liability.....	\$	4,957,185
Less: OPEB plan’s fiduciary net position.....		<u>(321,666)</u>
Net OPEB liability.....	\$	<u><u>4,635,519</u></u>
The OPEB plan’s fiduciary net position		
as a percentage of the total OPEB liability.....		6.49%

Significant Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2019 actuarial valuation was determined by using the following actuarial assumptions, applied to all periods including the measurement date that was updated to June 30, 2021 to be in accordance with GASB #74 and GASB #75 as follows:

Valuation date.....	Actuarially Determined Contribution was calculated as of July 1, 2019.
Actuarial cost method.....	Individual Entry Age Normal
Asset valuation method.....	Fair value of Assets as of the Measurement Date, June 30, 2021.
Investment rate of return.....	6.14%, net of OPEB plan investment expense, including inflation.
Municipal Bond Rate.....	2.18% as of June 30, 2021 per S&P Municipal Bond High Grade Index - SAPIHG.
Single equivalent discount rate.....	6.25%, net of OPEB plan investments expense, including inflation.

Inflation rate.....	2.50% as of June 30, 2021 and for future periods.
Projected salary increases.....	3.00% annually as of June 30, 2021 and for future periods.
Pre- Retirement Mortality.....	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 Mortality.....	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 Mortality.....	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.

Rate of return

For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 23.05%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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 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 Plan’s expected future real rate of return of 3.89% is added to the expected inflation of 2.50% to produce the long-term expected nominal rate of return of 6.39%. Best estimates of geometric real rates of return for each major asset class included in the OPEB plan’s target asset allocation as of June 30, 2021 are summarized in the table on the following page:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity Large Cap.....	21.25%	4.90%
Domestic Equity Small/Mid Cap.....	23.75%	5.40%
International Equities - Developed Market....	13.25%	5.32%
International Equities - Emerging Market.....	6.00%	6.26%
Domestic Fixed Income.....	28.25%	1.40%
International Fixed Income.....	7.00%	1.30%
Alternatives.....	0.00%	6.32%
Real Estate.....	0.00%	6.25%
Cash & Cash Equivalents.....	0.50%	0.00%
Total.....	100.00%	

Discount rate

The discount rate used to measure the total OPEB liability was 6.25% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan’s funding policy. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be sufficient to make all projected benefit payments to current plan members. Therefore the long-term expected rate of return on the OPEB plan assets was applied to all periods of projected future benefits payments as of June 30, 2021.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the net other postemployment benefit liability and service cost, calculated using the discount rate of 6.25%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate.

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Net OPEB liability.....	\$ 5,282,548	\$ 4,635,519	\$ 4,106,348

Sensitivity of the net position liability to changes in the healthcare trend

The following table presents the net other postemployment benefit liability and service cost, calculated using the current healthcare trend rate of, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	1% Decrease	Current Trend	1% Increase
Net OPEB liability.....	\$ 4,042,996	\$ 4,635,519	\$ 5,362,515

Summary of Significant Accounting Policies

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 Plan and additions to/deductions from the 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 (repurchase agreements) that have a maturity at the time of purchase of one year or less, which are reported at cost.

Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2020.....	\$ 4,761,614	\$ 203,448	\$ 4,558,166
Changes for the year:			
Service cost.....	125,747	-	125,747
Interest.....	298,425	-	298,425
Benefit payments.....	(228,601)	(228,601)	-
Net investment income.....	-	58,218	(58,218)
Employer contributions to trust.....	-	288,601	(288,601)
Net change.....	195,571	118,218	77,353
Balance at June 30, 2021.....	\$ <u>4,957,185</u>	\$ <u>321,666</u>	\$ <u>4,635,519</u>

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

For the year ended June 30, 2021 the Town recognized OPEB expense of \$253,350. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 58,380	\$ (351,287)	\$ (292,907)
Difference between projected and actual earnings, net.....	-	(35,130)	(35,130)
Changes in assumptions.....	82,426	(331,453)	(249,027)
Total deferred outflows/(inflows) of resources.....	\$ <u>140,806</u>	\$ <u>(717,870)</u>	\$ <u>(577,064)</u>

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

Reporting date year ended June 30:	
2022.....	\$ (156,516)
2023.....	(156,516)
2024.....	(182,093)
2025.....	(81,939)
Total.....	\$ <u>(577,064)</u>

Changes of Assumptions:

None.

Changes in Plan Provisions:

None.

NOTE 12 – RISK FINANCING

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The Town participates in premium-based health care plans for its employees and retirees. The Town participates in a premium-based workers' compensation insurance plan for its employees.

The amount of settlements has not exceeded the coverage in any of the last three years.

NOTE 13 – CONTINGENCIES

The Town participates in a number of federal award programs. These programs are subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

Various legal actions and claims are pending against the Town. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2021, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2021.

NOTE 14 – COVID-19

On March 10, 2020, the Massachusetts Governor declared a state of emergency in response to the coronavirus outbreak. The World Health Organization officially declared the novel Coronavirus (COVID-19) a pandemic the following day. In an attempt to slow the spread of COVID-19, governments issued various stay at home orders that caused global economic shutdowns and substantial financial market impact. Starting in March 2020, the Governor continued to issue orders allowing governments to operate and carry out essential functions safely. These included modifying the state's Open Meeting Law, issuing a stay-at-home order, and introducing a phased approach to reopening State businesses. The Town is considered an essential business and although it was closed to the public for a period of time, departments remained operational and most employees continued to perform their daily duties.

A number of businesses have been forced to stop or significantly reduce operations decreasing, the Town's portion of certain revenue. The Town has also incurred unanticipated costs specifically related to the pandemic.

On March 27, 2020 the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment from these funds be used only to cover expenses that; are necessary expenditures incurred due to the public health emergency with respect COVID-19; were not accounted for in the budget most recently approved as of March 27, 2020; and were incurred during the period that begins on March 1, 2020, and ends on December 30, 2021. The Commonwealth and communities throughout the Commonwealth were awarded a portion of this federal funding. In addition to funding from the CARES Act, there are several other federal and state grants available.

In addition to the CARES Act, on March 11, 2020, the United States Federal Government established the American Rescue Plan Act (ARPA) to enhance the United States' recovery from the economic and health effects of the COVID-19 pandemic. This Act requires that the payment of these funds be used to cover costs related to; public health; negative economic impacts; services to disproportionately impacted communities; premium pay; infrastructure; revenue replacement; or administration. These funds can only be used to cover costs incurred between March 3, 2021, and December 31, 2020. The Commonwealth and communities throughout the

Commonwealth were awarded a portion of this federal funding. In addition to funding from the CARES Act and the ARP Act, there are several other federal and state grants available.

The full extent of the financial impact cannot be determined as of the date of the financial statements.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 9, 2022 which is the date the financial statements were available to be issued.

NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2021, the following GASB pronouncements were implemented:

- GASB Statement #84, *Fiduciary Activities*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.
- GASB Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2022.
- The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2022.
- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2023.
- The GASB issued Statement #92, *Omnibus 2020*, which is required to be implemented in 2022.
- The GASB issued Statement #93, *Replacement of Interbank Offered Rates*, which is required to be implemented in 2022.
- The GASB issued Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #96, *Subscription-Based Information Technology Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #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*, which is required to be implemented in 2022.

Management is currently assessing the impact the implementation of these pronouncements will have on the basic financial statements.

Required Supplementary Information

Budgetary Comparison Schedules

The General Fund is the general operating fund of the Town. It is used to account for all of the Town's financial resources, except those required to be accounted for in another fund.

The Community Preservation Fund is used to account for the proceeds of a surcharge to real estate taxes along with a matching state grant.

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 18,019,051	\$ 18,019,051	\$ 18,169,167	\$ -	\$ 150,116
Motor vehicle and other excise taxes.....	400,000	400,000	815,766	-	415,766
Intergovernmental - state aid.....	470,332	470,332	463,534	-	(6,798)
Intergovernmental - assessment.....	1,154,610	1,154,610	910,562	-	(244,048)
Departmental and other.....	515,000	515,000	626,136	-	111,136
Investment income.....	15,000	15,000	2,129	-	(12,871)
Miscellaneous.....	-	-	7,753	-	7,753
TOTAL REVENUES.....	20,573,993	20,573,993	20,995,047	-	421,054
EXPENDITURES:					
Current:					
General government.....	1,373,748	1,310,823	1,277,281	33	33,509
Public safety.....	2,460,435	2,464,535	2,344,625	10,420	109,490
Education.....	11,767,404	11,767,404	11,738,252	-	29,152
Public works.....	1,638,602	1,638,601	1,457,666	48,750	132,185
Health and human services.....	187,233	176,058	168,640	207	7,211
Culture and recreation.....	1,090,946	1,090,946	1,031,919	-	59,027
Pension benefits.....	862,643	862,643	846,050	-	16,593
Property and liability insurance.....	145,000	145,000	136,774	-	8,226
Employee benefits.....	1,035,385	1,035,386	830,098	-	205,288
State and county charges.....	154,110	154,110	154,110	-	-
Debt service:					
Principal.....	405,000	405,000	438,693	-	(33,693)
Interest.....	45,186	45,185	54,813	-	(9,628)
TOTAL EXPENDITURES.....	21,165,692	21,095,691	20,478,921	59,410	557,360
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(591,699)	(521,698)	516,126	(59,410)	978,414
OTHER FINANCING SOURCES (USES):					
Use of prior year reserves.....	78,614	78,614	-	-	(78,614)
Use of free cash and other amounts.....	765,385	765,384	-	-	(765,384)
Other amounts on the tax recap.....	8,000	8,000	-	-	(8,000)
Transfers in.....	6,000	6,000	6,000	-	-
Transfers out.....	(266,300)	(336,300)	(336,300)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	591,699	521,698	(330,300)	-	(851,998)
NET CHANGE IN FUND BALANCE.....	-	-	185,826	(59,410)	126,416
BUDGETARY FUND BALANCE, Beginning of year.....	1,794,495	1,794,495	1,794,495	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 1,794,495	\$ 1,794,495	\$ 1,980,321	\$ (59,410)	\$ 126,416

COMMUNITY PRESERVATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2021

	Original and Final Budget	Actual Budgetary Amounts	Variance to Final Budget
REVENUES:			
Community preservation taxes.....	\$ 350,000	\$ 449,507	\$ 99,507
Community preservation state match.....	48,300	243,665	195,365
Investment income.....	-	87,248	87,248
TOTAL REVENUES.....	<u>398,300</u>	<u>780,420</u>	<u>382,120</u>
EXPENDITURES:			
Community preservation.....	989,231	76,778	912,453
Debt service:			
Principal.....	105,000	105,000	-
Interest.....	19,000	19,000	-
TOTAL EXPENDITURES.....	<u>1,113,231</u>	<u>200,778</u>	<u>912,453</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	<u>(714,931)</u>	<u>579,642</u>	<u>1,294,573</u>
NET CHANGE IN FUND BALANCE.....	(714,931)	579,642	1,294,573
BUDGETARY FUND BALANCE, Beginning of year.....	<u>3,550,505</u>	<u>3,550,505</u>	<u>-</u>
BUDGETARY FUND BALANCE, End of year.....	<u>\$ 2,835,574</u>	<u>\$ 4,130,147</u>	<u>\$ 1,294,573</u>

See notes to required supplementary information.

Pension Plan Schedules

The Schedule of the Town's Proportionate Share of the Net Pension Liability presents multi-year trend information on the Town's net pension liability and related ratios.

The Schedule of Contributions presents multi-year trend information on the Town's required and actual contributions to the pension plan and related ratios.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
ESSEX REGIONAL RETIREMENT SYSTEM**

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2020.....	2.13%	\$ 8,444,668	\$ 3,309,820	255.14%	59.73%
December 31, 2019.....	2.12%	8,929,125	3,181,730	280.64%	55.46%
December 31, 2018.....	2.14%	9,033,992	2,900,783	311.43%	51.89%
December 31, 2017.....	2.15%	8,074,199	2,788,482	289.56%	55.40%
December 31, 2016.....	2.03%	7,833,563	2,740,673	285.83%	51.12%
December 31, 2015.....	2.05%	7,499,402	2,579,576	290.72%	51.01%
December 31, 2014.....	1.99%	6,750,090	2,472,907	272.96%	52.27%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS
ESSEX REGIONAL RETIREMENT SYSTEM**

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2020.....	\$ 821,432	\$ (821,432)	-	\$ 3,376,016	24.33%
June 30, 2019.....	761,173	(761,173)	-	3,187,749	23.88%
June 30, 2018.....	714,611	(714,611)	-	2,905,994	24.59%
June 30, 2017.....	668,111	(668,111)	-	2,794,994	23.90%
June 30, 2016.....	589,102	(589,102)	-	2,745,006	21.46%
June 30, 2015.....	563,272	(563,272)	-	2,586,787	21.77%
June 30, 2014.....	510,403	(510,403)	-	2,477,351	20.60%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

Other Postemployment Benefit Plan Schedules

The Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered-employee payroll.

The Schedule of the Town's Contributions presents multi-year trend information on the Town's actual contributions to the other postemployment benefit plan and related ratios.

The Schedule of Investment Returns presents multi-year trend information on the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

**SCHEDULE OF CHANGES IN THE
TOWN'S NET OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Total OPEB Liability					
Service Cost.....	\$ 190,103	\$ 185,220	\$ 205,979	\$ 120,503	\$ 125,747
Interest.....	240,103	260,384	264,036	283,501	298,425
Differences between expected and actual experience....	118,520	-	(5,471,615)	(560,385)	-
Changes of assumptions.....	-	-	5,651,391	(528,745)	-
Benefit payments.....	<u>(171,732)</u>	<u>(142,983)</u>	<u>(147,649)</u>	<u>(203,075)</u>	<u>(228,601)</u>
Net change in total OPEB liability.....	376,994	302,621	502,142	(888,201)	195,571
Total OPEB liability - beginning.....	<u>4,468,058</u>	<u>4,845,052</u>	<u>5,147,673</u>	<u>5,649,815</u>	<u>4,761,614</u>
Total OPEB liability - ending (a).....	<u>\$ 4,845,052</u>	<u>\$ 5,147,673</u>	<u>\$ 5,649,815</u>	<u>\$ 4,761,614</u>	<u>\$ 4,957,185</u>
Plan fiduciary net position					
Employer contributions to the trust.....	\$ 20,000	\$ 30,000	\$ 40,000	\$ 50,000	\$ 60,000
Employer contributions for OPEB payments.....	171,732	142,983	147,649	203,075	228,601
Net investment income.....	405	3,727	6,628	7,026	58,218
Benefit payments.....	<u>(171,732)</u>	<u>(142,983)</u>	<u>(147,649)</u>	<u>(203,075)</u>	<u>(228,601)</u>
Net change in plan fiduciary net position.....	20,405	33,727	46,628	57,026	118,218
Plan fiduciary net position - beginning of year.....	<u>45,662</u>	<u>66,067</u>	<u>99,794</u>	<u>146,422</u>	<u>203,448</u>
Plan fiduciary net position - end of year (b).....	<u>\$ 66,067</u>	<u>\$ 99,794</u>	<u>\$ 146,422</u>	<u>\$ 203,448</u>	<u>\$ 321,666</u>
Net OPEB liability - ending (a)-(b).....	<u>\$ 4,778,985</u>	<u>\$ 5,047,879</u>	<u>\$ 5,503,393</u>	<u>\$ 4,558,166</u>	<u>\$ 4,635,519</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	1.36%	1.94%	2.59%	4.27%	6.49%
Covered-employee payroll.....	\$ 2,896,297	\$ 2,983,186	\$ 2,983,186	\$ 3,361,501	\$ 3,462,246
Net OPEB liability as a percentage of covered-employee payroll.....	165.00%	169.21%	184.48%	135.60%	133.89%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for
which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

<u>Year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered- employee payroll</u>	<u>Contributions as a percentage of covered- employee payroll</u>
June 30, 2021.....	\$ 359,641	\$ (288,601)	\$ 71,040	\$ 3,462,246	8.34%
June 30, 2020.....	440,552	(253,075)	187,477	3,361,501	7.53%
June 30, 2019.....	546,935	(187,649)	359,286	2,983,186	6.29%
June 30, 2018.....	506,072	(172,983)	333,089	2,983,186	5.80%
June 30, 2017.....	493,946	(191,732)	302,214	2,896,297	6.62%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2021.....	23.05%
June 30, 2020.....	4.80%
June 30, 2019.....	4.86%
June 30, 2018.....	5.60%
June 30, 2017.....	0.80%

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Municipal Law requires the Town to adopt a balanced budget that is approved by the Finance Committee (Committee). The Committee presents an annual budget to the Open Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting, which has full authority to amend and/or reject the budget or any individual line item, adopts the expenditure budget by majority vote. Increases or decreases subsequent to the approval of the annual budget require a vote at a Special Town Meeting.

The majority of the Town’s appropriations are non-continuing which lapse at the end of each year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current year. These carry forwards are included as part of the subsequent year’s original budget.

Generally, expenditures may not exceed the legal level of spending authorized for an appropriation account. However, the Town is statutorily required to pay debt service, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by majority vote at Town Meeting.

The Town adopts an annual budget for the General Fund in conformity with the guidelines described above. The original 2021 budget for the General Fund includes current year appropriations and other amounts to be raised of \$21,431,992 and continuing appropriations from prior year of \$78,614.

The Town adopts an annual budget for the Community Preservation Fund in conformity with the guidelines described above. The original and final 2021 budget includes current and prior year appropriations of \$1,113,231 and budgeted revenues of \$398,300.

The Town Accountant has the responsibility to ensure that budgetary control is maintained on an individual line item appropriation account basis. Budgetary control is exercised through the Town’s accounting system.

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth of Massachusetts (Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary basis to GAAP basis results for the General Fund for the year ended June 30, 2021, is presented below:

	General Fund	Community Preservation Fund
Net change in fund balance - budgetary basis.....	\$ 185,826	\$ 579,642
<u>Perspective differences:</u>		
Activity of the stabilization fund recorded in the general fund for GAAP.....	14,118	-
<u>Basis of accounting differences:</u>		
Net change in recording 60 day receipts.....	(24,434)	-
Net change in fund balance - GAAP basis.....	\$ <u>175,510</u>	\$ <u>579,642</u>

NOTE B – PENSION PLANSchedule of the Town's Proportionate Share of the Net Pension Liability

The Schedule of the Town's Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability (asset), the proportionate share of the net pension liability, and the covered employee payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

Schedule of Town's Contributions

Governmental employees are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. The Town may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contribution may be less than the "total appropriation". The pension fund appropriation is allocated to the Town based on covered payroll.

Changes in Assumptions

None.

Changes in Plan Provisions

None.

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

The Town administers a single-employer defined benefit healthcare plan ("The Retiree Health Plan"). The plan provides lifetime healthcare, dental and life insurance for eligible retirees and their spouses through the Town's group health insurance plan, which covers both active and retired members.

The Other Postemployment Benefit PlanThe Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios

The Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered-employee payroll.

Schedule of the Town's Contributions

The Schedule of the Town's Contributions includes the Town's annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered-employee payroll. The Town is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered-employee payroll. Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Methods and assumptions used to determine contribution rates are as follows:

Valuation date.....	Actuarially Determined Contribution was calculated as of July 1, 2019.
Actuarial cost method.....	Individual Entry Age Normal
Asset valuation method.....	Fair value of Assets as of the Measurement Date, June 30, 2021.
Investment rate of return.....	6.14%, net of OPEB plan investment expense, including inflation.
Municipal Bond Rate.....	2.18% as of June 30, 2021 per S&P Municipal Bond High Grade Index - SAPIHG.
Single equivalent discount rate.....	6.25%, net of OPEB plan investments expense, including inflation.
Inflation rate.....	2.50% as of June 30, 2021 and for future periods.
Projected salary increases.....	3.00% annually as of June 30, 2021 and for future periods.
Pre- Retirement Mortality.....	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 Mortality.....	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 Mortality.....	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.

Schedule of Investment Returns

The Schedule of Investment Returns includes the money-weighted investment return on the Plan’s other postemployment assets, net of investment expense.

Changes of Assumptions:

None.

Changes in Plan Provisions:

None.