



TOWN OF SOUTHAMPTON, MASSACHUSETTS

Financial Statements
For the Year Ended June 30, 2021

(With Independent Auditor's Report Thereon)

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INDEPENDENT AUDITOR'S REPORT

To the Select Board
Town of Southamptton, 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 Southamptton, Massachusetts (the Town), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

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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 Southampton, Massachusetts, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 20 to the financial statements, in fiscal year 2021, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the budgetary comparison for the General Fund, and certain pension and OPEB schedules 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 evidence sufficient 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 November 14, 2022 on our consideration of the Town’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Town’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town’s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads 'Melanson'.

Greenfield, Massachusetts
November 14, 2022



MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all assets, liabilities, deferred outflows and inflows of resources, with the difference 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 Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

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. The business-type activities include water and transfer station 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. The Town's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. The proprietary fund category includes enterprise funds.

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, and (3) the pricing policies of the activity established fees and charges designed to recover its costs, including capital costs such as depreciation and debt service. The primary focus on these criteria is on fees charged to external users. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. Specifically, enterprise funds are used to account for water and transfer station operations, which are considered to be major funds.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to 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.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

Financial Highlights

- As of the close of the current fiscal year, net position in governmental activities was \$3,137,079, a change of \$283,699, and net position in business-type activities was \$10,444,953, a change of \$381,492.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$5,599,738, a change of \$1,111,631 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$841,876, a change of \$93,338 in comparison to the prior year.

Government-Wide Financial Analysis

The following is a summary of condensed government-wide financial data for the current and prior fiscal year.

	NET POSITION					
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets						
Current and other assets	\$ 7,513,851	\$ 6,429,268	\$ 2,190,076	\$ 3,124,196	\$ 9,703,927	\$ 9,553,464
Capital assets	<u>14,487,839</u>	<u>14,430,381</u>	<u>11,997,369</u>	<u>11,854,583</u>	<u>26,485,208</u>	<u>26,284,964</u>
Total Assets	22,001,690	20,859,649	14,187,445	14,978,779	36,189,135	35,838,428
Deferred Outflows of Resources	7,687,387	8,372,302	82,187	100,694	7,769,574	8,472,996
Liabilities						
Other liabilities	1,355,465	1,691,650	46,502	2,752,164	1,401,967	4,443,814
Long-term liabilities	<u>20,412,020</u>	<u>19,908,874</u>	<u>3,718,850</u>	<u>2,200,424</u>	<u>24,130,870</u>	<u>22,109,298</u>
Total Liabilities	21,767,485	21,600,524	3,765,352	4,952,588	25,532,837	26,553,112
Deferred Inflows of Resources	4,784,513	4,778,047	59,327	63,424	4,843,840	4,841,471
Net Position						
Net investment in capital assets	12,639,084	12,616,363	9,571,650	9,334,682	22,210,734	21,951,045
Restricted	4,175,493	3,388,055	-	-	4,175,493	3,388,055
Unrestricted	<u>(13,677,498)</u>	<u>(13,151,038)</u>	<u>873,303</u>	<u>728,779</u>	<u>(12,804,195)</u>	<u>(12,422,259)</u>
Total Net Position	\$ <u>3,137,079</u>	\$ <u>2,853,380</u>	\$ <u>10,444,953</u>	\$ <u>10,063,461</u>	\$ <u>13,582,032</u>	\$ <u>12,916,841</u>

As noted earlier, net position may serve over time as a useful indicator of the Town's financial position. At the close of the most recent fiscal year, total net position was \$13,582,032, a change of \$665,191 in comparison to the prior year.

The largest portion of net position, \$22,210,734, reflects our investment in capital assets (e.g., land, buildings and improvements, machinery, equipment, and furnishings, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of 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.

An additional portion of net position, \$4,175,493, represents resources that are subject to external restrictions and internal designations on how they may be used. The remaining balance of unrestricted net position reflects a deficit of \$(12,804,195), primarily resulting from unfunded pension and OPEB liabilities.

CHANGES IN NET POSITION

	Governmental		Business-Type		Total	
	Activities		Activities			
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues:						
Charges for services	\$ 817,418	\$ 856,845	\$ 1,125,697	\$ 1,131,813	\$ 1,943,115	\$ 1,988,658
Operating grants and contributions	5,820,789	4,787,052	-	-	5,820,789	4,787,052
Capital grants and contributions	334,181	297,871	-	-	334,181	297,871
General revenues:						
Property taxes	13,205,650	12,946,942	-	-	13,205,650	12,946,942
Excises	1,053,886	991,873	-	-	1,053,886	991,873
Penalties, interest, and other taxes	230,919	205,730	-	-	230,919	205,730
Grants and contributions not restricted to specific programs	686,850	686,589	-	-	686,850	686,589
Investment income	75,511	46,109	-	2,809	75,511	48,918
Miscellaneous income	8,901	77,960	144,593	56,313	153,494	134,273
Total Revenues	22,234,105	20,896,971	1,270,290	1,190,935	23,504,395	22,087,906
Expenses						
General government	1,796,176	1,054,315	-	-	1,796,176	1,054,315
Public safety	2,857,233	3,107,821	-	-	2,857,233	3,107,821
Education	15,377,267	14,939,716	-	-	15,377,267	14,939,716
Public works	1,155,926	1,482,419	-	-	1,155,926	1,482,419
Health and human services	207,393	215,774	-	-	207,393	215,774
Culture and recreation	275,216	284,713	-	-	275,216	284,713
Interest on long-term debt	69,253	64,775	-	-	69,253	64,775
Intergovernmental	211,942	188,278	-	-	211,942	188,278
Water services	-	-	719,838	686,269	719,838	686,269
Transfer station services	-	-	168,960	174,578	168,960	174,578
Total Expenses	21,950,406	21,337,811	888,798	860,847	22,839,204	22,198,658
Change in Net Position	283,699	(440,840)	381,492	330,088	665,191	(110,752)
Net Position - Beginning of Year	2,853,380	3,294,220	10,063,461	9,733,373	12,916,841	13,027,593
Net Position - End of Year	\$ 3,137,079	\$ 2,853,380	\$ 10,444,953	\$ 10,063,461	\$ 13,582,032	\$ 12,916,841

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$283,699. Key elements of this change are as follows:

General Fund operations	\$ 219,826
Major fund - Community preservation fund revenues in excess of expenditures	416,069
Major fund - Town grant fund revenues in excess of expenditures and transfers out	67,806
Non-major fund revenues, bond proceeds, and transfers in, in excess of expenditures	407,930
Depreciation expense in excess of principal debt service	(157,369)
Capital assets purchases	500,592
Issuance of debt	(404,489)
Change in net pension liability, net of deferrals	213,153
Change in net OPEB liability, net of deferrals	(1,004,782)
Other	<u>24,963</u>
Total	\$ <u>283,699</u>

Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$381,492. Key elements of this change are as follows:

Water operations	\$ 338,334
Transfer station operations	<u>43,158</u>
Change in Net Position	\$ <u>381,492</u>

Financial Analysis of the Town's Funds

As noted earlier, fund accounting is used 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 the Town's net resources available for spending at the end of the fiscal year.

General Fund

The General Fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$841,876, while total fund balance was \$1,252,922. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to General Fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Change</u>	<u>% of General Fund Expenditures *</u>
Unassigned Fund Balance	\$ 841,876	\$ 748,538	\$ 93,338	4.7%
Total Fund Balance	\$ 1,252,922	\$ 1,033,096	\$ 219,826	7.0%

* Expenditure amount used to calculate the above percentages have been adjusted to exclude the on-behalf payment from the Commonwealth of Massachusetts to the Massachusetts Teachers Retirement System of \$677,725.

The total fund balance of the General Fund changed by \$219,826 during the current fiscal year. Key elements of this change are as follows:

General Fund Operating Results:	
Excess of tax collections compared to budget	\$ 81,983
State and local revenues over budget	58,050
Budgetary appropriations unspent by departments	201,169
Difference between current year encumbrances to be spent in the subsequent period and prior year encumbrances spent in the current year	(11,101)
Change in Stabilization funds	<u>(110,275)</u>
Total	\$ <u>219,826</u>

Included in the total General Fund balance are the Town’s stabilization accounts with the following balances:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Change</u>
Ambulance stabilization fund	\$ 91,743	\$ 89,995	\$ 1,748
Capital stabilization fund	37,436	154,580	(117,144)
Operating stabilization fund	<u>449,649</u>	<u>444,528</u>	<u>5,121</u>
Total	\$ <u>578,828</u>	\$ <u>689,103</u>	\$ <u>(110,275)</u>

Community Preservation Fund

The community preservation fund balance changed by \$416,069 primarily from taxes and state contribution in excess of expenditures.

Town Grant Fund

The fund balance of the town grant fund changed by \$67,806, primarily from timing differences between the receipt and disbursement of grants.

Nonmajor Governmental Funds

The fund balance of the nonmajor governmental funds changed by \$407,930, primarily from timing differences between the receipt and disbursement of grants and permanent financing of capital projects.

Proprietary Funds

Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$873,303, a change of \$144,524 in comparison to the prior year.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in an increase in debt service appropriations of \$68,065, funded by an ambulance receipt transfer.

Capital Assets and Debt Administration

Capital Assets

Total investment in capital assets for governmental and business-type activities at year end amounted to \$26,485,208 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery, equipment, and furnishings, and infrastructure.

Major capital asset events during the current fiscal year included the following:

Depreciation expense - governmental activities	\$ (443,134)
Depreciation expense - business-type activities	(181,414)
Buildings and improvement	
Education	146,230
Culture and recreation	5,800
Departmental vehicles and equipment	
Public safety	89,702
Education	34,075
Public works	224,785
Construction in progress	
Water	324,200

Additional information on capital assets can be found in the Notes to Financial Statements.

Long-Term Debt

At the end of the current fiscal year, total long-term debt outstanding was \$5,713,837, all of which was backed by the full faith and credit of the government.

During fiscal year 2021, the Town maintained their AA- rating from Standard & Poor's (S&P) Global Ratings for the Town's existing debt. This rating was withdrawn on July 20, 2021 due to lack of sufficient information.

Additional information on long-term debt can be found in the Notes to Financial Statements.

Requests for Information

This financial report is designed to provide a general overview of the Town of Southampton's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Mr. Bradley Okscin
Town Accountant
Town of Southampton
210 College Highway
Southampton, MA 01073

TOWN OF SOUTHAMPTON, MASSACHUSETTS

Statement of Net Position
June 30, 2021

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and short-term investments	\$ 4,861,604	\$ 2,089,126	\$ 6,950,730
Investments	1,834,903	-	1,834,903
Receivables, net of allowance for uncollectible:			
Property taxes	137,798	-	137,798
Excises	172,234	-	172,234
User fees	58,724	100,070	158,794
Intergovernmental	258,694	880	259,574
Loans	<u>9,048</u>	<u>-</u>	<u>9,048</u>
Total Current Assets	7,333,005	2,190,076	9,523,081
Noncurrent:			
Property taxes	147,632	-	147,632
Loans	33,214	-	33,214
Capital assets:			
Nondepreciable capital assets	9,818,251	872,700	10,690,951
Other capital assets, net of accumulated depreciation	<u>4,669,588</u>	<u>11,124,669</u>	<u>15,794,257</u>
Total Noncurrent Assets	14,668,685	11,997,369	26,666,054
Total Assets	22,001,690	14,187,445	36,189,135
Deferred Outflows of Resources			
Related to pension	772,768	20,058	792,826
Related to OPEB	<u>6,914,619</u>	<u>62,129</u>	<u>6,976,748</u>
Total Deferred Outflows of Resources	7,687,387	82,187	7,769,574

(continued)

The accompanying notes are an integral part of these financial statements.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

Statement of Net Position
June 30, 2021

(continued)

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Liabilities			
Current:			
Warrants payable	310,893	46,502	357,395
Accrued payroll	581,413	-	581,413
Unearned revenue	322,955	-	322,955
Other liabilities	140,204	-	140,204
Current portion of long-term liabilities:			
Notes payable	206,554	-	206,554
Bonds payable	207,500	244,346	451,846
Landfill liability	-	<u>10,885</u>	<u>10,885</u>
Total Current Liabilities	1,769,519	301,733	2,071,252
Noncurrent:			
Notes payable, net of current portion	334,064	-	334,064
Bonds payable, net of current portion	1,575,000	3,146,373	4,721,373
Net pension liability	5,871,389	152,402	6,023,791
Net OPEB liability	12,048,540	108,257	12,156,797
Landfill liability, net of current portion	-	43,540	43,540
Compensated absences	<u>168,973</u>	<u>13,047</u>	<u>182,020</u>
Total Noncurrent Liabilities	19,997,966	3,463,619	23,461,585
Total Liabilities	21,767,485	3,765,352	25,532,837
Deferred Inflows of Resources			
Related to pension	962,679	24,988	987,667
Related to OPEB	<u>3,821,834</u>	<u>34,339</u>	<u>3,856,173</u>
Total Deferred Inflows of Resources	4,784,513	59,327	4,843,840
Net Position			
Net investment in capital assets	12,639,084	9,571,650	22,210,734
Restricted for:			
Grants and other statutory restrictions	3,635,912	-	3,635,912
Endowment funds:			
Nonexpendable	365,317	-	365,317
Expendable	174,264	-	174,264
Unrestricted	<u>(13,677,498)</u>	<u>873,303</u>	<u>(12,804,195)</u>
Total Net Position	<u>\$ 3,137,079</u>	<u>\$ 10,444,953</u>	<u>\$ 13,582,032</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

Statement of Activities
For the Year Ended June 30, 2021

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities							
General government	\$ 1,796,176	\$ 178,445	\$ 912,786	\$ -	\$ (704,945)	\$ -	\$ (704,945)
Public safety	2,857,233	601,787	68,731	-	(2,186,715)	-	(2,186,715)
Education	15,377,267	26,984	4,751,283	-	(10,599,000)	-	(10,599,000)
Public works	1,155,926	9,870	4,878	334,181	(806,997)	-	(806,997)
Health and human services	207,393	332	57,901	-	(149,160)	-	(149,160)
Culture and recreation	275,216	-	25,210	-	(250,006)	-	(250,006)
Interest on long-term debt	69,253	-	-	-	(69,253)	-	(69,253)
Intergovernmental	<u>211,942</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(211,942)</u>	<u>-</u>	<u>(211,942)</u>
Total Governmental Activities	21,950,406	817,418	5,820,789	334,181	(14,978,018)	-	(14,978,018)
Business-Type Activities							
Water services	719,838	924,077	-	-	-	204,239	204,239
Transfer station services	<u>168,960</u>	<u>201,620</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,660</u>	<u>32,660</u>
Total Business-Type Activities	<u>888,798</u>	<u>1,125,697</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>236,899</u>	<u>236,899</u>
Total	<u>\$ 22,839,204</u>	<u>\$ 1,943,115</u>	<u>\$ 5,820,789</u>	<u>\$ 334,181</u>	(14,978,018)	236,899	(14,741,119)
			General Revenues				
			Property taxes		13,205,650	-	13,205,650
			Excises		1,053,886	-	1,053,886
			Penalties, interest, and other taxes		230,919	-	230,919
			Grants and contributions not restricted to specific programs		686,850	-	686,850
			Investment income		75,511	-	75,511
			Miscellaneous income		<u>8,901</u>	<u>144,593</u>	<u>153,494</u>
			Total General Revenues		<u>15,261,717</u>	<u>144,593</u>	<u>15,406,310</u>
			Change in Net Position		283,699	381,492	665,191
			Net Position				
			Beginning of Year		<u>2,853,380</u>	<u>10,063,461</u>	<u>12,916,841</u>
			End of Year		<u>\$ 3,137,079</u>	<u>\$ 10,444,953</u>	<u>\$ 13,582,032</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

Governmental Funds
Balance Sheet
June 30, 2021

	General Fund	Community Preservation Fund	Town Grant Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and short-term investments	\$ 1,997,655	\$ 1,075,784	\$ 1,103,908	\$ 684,257	\$ 4,861,604
Investments	93,562	1,211,736	-	529,605	1,834,903
Receivables:					
Property taxes	133,242	4,556	-	-	137,798
Tax liens	147,632	-	-	-	147,632
Excises	172,234	-	-	-	172,234
User fees, net of allowance for uncollectible	-	-	58,724	-	58,724
Intergovernmental	-	-	20,199	238,495	258,694
Loans	-	-	42,262	-	42,262
Total Assets	<u>\$ 2,544,325</u>	<u>\$ 2,292,076</u>	<u>\$ 1,225,093</u>	<u>\$ 1,452,357</u>	<u>\$ 7,513,851</u>
Liabilities					
Warrants payable	\$ 251,769	\$ -	\$ 23,494	\$ 35,630	\$ 310,893
Accrued payroll	538,013	-	-	46,348	584,361
Unearned revenue	-	-	322,955	-	322,955
Other liabilities	<u>48,513</u>	<u>-</u>	<u>88,743</u>	<u>-</u>	<u>137,256</u>
Total Liabilities	838,295	-	435,192	81,978	1,355,465
Deferred Inflows of Resources					
Unavailable revenues	453,108	4,554	100,986	-	558,648
Fund Balances					
Nonspendable	-	-	-	365,317	365,317
Restricted	-	2,287,522	720,963	971,834	3,980,319
Committed	129,179	-	-	52,211	181,390
Assigned	281,867	-	-	-	281,867
Unassigned	<u>841,876</u>	<u>-</u>	<u>(32,048)</u>	<u>(18,983)</u>	<u>790,845</u>
Total Fund Balances	<u>1,252,922</u>	<u>2,287,522</u>	<u>688,915</u>	<u>1,370,379</u>	<u>5,599,738</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,544,325</u>	<u>\$ 2,292,076</u>	<u>\$ 1,225,093</u>	<u>\$ 1,452,357</u>	<u>\$ 7,513,851</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

Reconciliation of Total Governmental Fund Balances to Net Position of
Governmental Activities in the Statement of Net Position
June 30, 2021

Total Governmental Fund Balances	\$	5,599,738
<ul style="list-style-type: none"> ● Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. 	14,487,839	
<ul style="list-style-type: none"> ● Deferred outflows of resources related to pension to be recognized in pension expenses in future periods. 	772,768	
<ul style="list-style-type: none"> ● Deferred outflows of resources related to OPEB to be recognized in OPEB expense in future periods. 	6,914,619	
<ul style="list-style-type: none"> ● Revenues are reported on the accrual basis of accounting and are not deferred until collection. 	558,648	
<ul style="list-style-type: none"> ● Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds: <ul style="list-style-type: none"> Bonds and notes payable Net pension liability Net OPEB liability Compensated absences 	(2,323,118)	
	(5,871,389)	
	(12,048,540)	
	(168,973)	
<ul style="list-style-type: none"> ● Deferred inflows of resources related to pension to be recognized in pension expenses in future periods. 	(962,679)	
<ul style="list-style-type: none"> ● Deferred inflows of resources related to OPEB to be recognized in OPEB expense in future periods. 	<u>(3,821,834)</u>	
Net Position of Governmental Activities	\$	<u><u>3,137,079</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2021

	General Fund	Community Preservation Fund	Town Grant Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 13,004,048	\$ 259,798	\$ -	\$ -	\$ 13,263,846
Excises	981,005	-	-	-	981,005
Penalties, interest, and other taxes	204,914	26,005	-	-	230,919
Charges for services	112,109	-	210,735	217,652	540,496
Intergovernmental	4,055,367	233,324	717,532	984,194	5,990,417
Licenses and permits	248,961	-	-	6,005	254,966
Fines and forfeitures	4,221	-	-	-	4,221
Investment income	18,123	35,830	-	21,558	75,511
Miscellaneous	8,871	-	30	-	8,901
	<u>18,637,619</u>	<u>554,957</u>	<u>928,297</u>	<u>1,229,409</u>	<u>21,350,282</u>
Expenditures					
Current:					
General government	617,845	80,108	617,454	3,156	1,318,563
Public safety	1,829,503	-	13,912	262,791	2,106,206
Education	12,042,182	-	3,500	823,715	12,869,397
Public works	876,409	-	-	260,273	1,136,682
Health and human services	124,763	457	13,860	17,524	156,604
Culture and recreation	157,325	1,983	16,000	15,209	190,517
Employee benefits	2,298,211	-	-	-	2,298,211
Debt service					
Principal	240,765	56,340	-	-	297,105
Interest	57,913	-	-	-	57,913
Intergovernmental	211,942	-	-	-	211,942
	<u>18,456,858</u>	<u>138,888</u>	<u>664,726</u>	<u>1,382,668</u>	<u>20,643,140</u>
Excess (Deficiency) of Revenues over Expenditures	180,761	416,069	263,571	(153,259)	707,142
Other Financing Sources (Uses)					
Bond proceeds	-	-	-	404,489	404,489
Transfers in	195,765	-	-	156,700	352,465
Transfers out	(156,700)	-	(195,765)	-	(352,465)
	<u>39,065</u>	<u>-</u>	<u>(195,765)</u>	<u>561,189</u>	<u>404,489</u>
Change in Fund Balance	219,826	416,069	67,806	407,930	1,111,631
Fund Balances, at Beginning of Year, as reclassified	<u>1,033,096</u>	<u>1,871,453</u>	<u>621,109</u>	<u>962,449</u>	<u>4,488,107</u>
Fund Balances, at End of Year	<u>\$ 1,252,922</u>	<u>\$ 2,287,522</u>	<u>\$ 688,915</u>	<u>\$ 1,370,379</u>	<u>\$ 5,599,738</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2021

Net Change in Fund Balances - Total Governmental Funds	\$ 1,111,631																
<ul style="list-style-type: none"> ● 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: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;">Capital outlay</td> <td style="width: 20%; text-align: right;">500,592</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(443,134)</td> </tr> </table> ● The issuance of long-term debt (e.g., bonds and long-term notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;">Issuance of notes</td> <td style="width: 20%; text-align: right;">(404,489)</td> </tr> <tr> <td>Repayments of general obligation bonds and notes</td> <td style="text-align: right;">285,765</td> </tr> </table> ● Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in allowance for doubtful accounts. <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;"></td> <td style="width: 20%; text-align: right;">23,372</td> </tr> </table> ● 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: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;">Change in net pension liability and related deferred outflows and inflows</td> <td style="width: 20%; text-align: right;">213,153</td> </tr> <tr> <td>Change in net OPEB liability and related deferred outflows and inflows</td> <td style="text-align: right;">(1,004,782)</td> </tr> <tr> <td>Change in compensated absences</td> <td style="text-align: right;"><u>1,591</u></td> </tr> </table> 		Capital outlay	500,592	Depreciation	(443,134)	Issuance of notes	(404,489)	Repayments of general obligation bonds and notes	285,765		23,372	Change in net pension liability and related deferred outflows and inflows	213,153	Change in net OPEB liability and related deferred outflows and inflows	(1,004,782)	Change in compensated absences	<u>1,591</u>
Capital outlay	500,592																
Depreciation	(443,134)																
Issuance of notes	(404,489)																
Repayments of general obligation bonds and notes	285,765																
	23,372																
Change in net pension liability and related deferred outflows and inflows	213,153																
Change in net OPEB liability and related deferred outflows and inflows	(1,004,782)																
Change in compensated absences	<u>1,591</u>																
Change in Net Position of Governmental Activities	\$ <u><u>283,699</u></u>																

The accompanying notes are an integral part of these financial statements.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

Proprietary Funds
Statement of Net Position
June 30, 2021

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Transfer Station Fund	Total
Assets			
Current:			
Cash and short-term investments	\$ 1,997,560	\$ 91,566	\$ 2,089,126
User fees, net of allowance for uncollectible	100,070	-	100,070
Intergovernmental receivables	<u>880</u>	<u>-</u>	<u>880</u>
Total Current Assets	2,098,510	91,566	2,190,076
Noncurrent:			
Capital assets:			
Nondepreciable capital assets	693,100	179,600	872,700
Other capital assets, net of accumulated depreciation	<u>11,119,084</u>	<u>5,585</u>	<u>11,124,669</u>
Total Noncurrent Assets	11,812,184	185,185	11,997,369
Total Assets	13,910,694	276,751	14,187,445
Deferred Outflows of Resources			
Related to pension	16,887	3,171	20,058
Related to OPEB	<u>62,129</u>	<u>-</u>	<u>62,129</u>
Total Deferred Outflows of Resources	79,016	3,171	82,187
Liabilities			
Current:			
Warrants payable	22,422	24,080	46,502
Current portion of long-term liabilities:			
Bonds payable	244,346	-	244,346
Landfill liability	<u>-</u>	<u>10,885</u>	<u>10,885</u>
Total Current Liabilities	266,768	34,965	301,733
Noncurrent:			
Bonds payable, net of current portion	3,146,373	-	3,146,373
Net pension liability	128,307	24,095	152,402
Net OPEB liability	108,257	-	108,257
Landfill liability, net of current portion	-	43,540	43,540
Compensated absences	<u>13,047</u>	<u>-</u>	<u>13,047</u>
Total Noncurrent Liabilities	3,395,984	67,635	3,463,619
Total Liabilities	3,662,752	102,600	3,765,352
Deferred Inflows of Resources			
Related to pension	21,037	3,951	24,988
Related to OPEB	<u>34,339</u>	<u>-</u>	<u>34,339</u>
Total Deferred Inflows of Resources	55,376	3,951	59,327
Net Position			
Net investment in capital assets	9,386,465	185,185	9,571,650
Unrestricted	<u>885,117</u>	<u>(11,814)</u>	<u>873,303</u>
Total Net Position	\$ <u>10,271,582</u>	\$ <u>173,371</u>	\$ <u>10,444,953</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2021

	Business-Type Activities Enterprise Funds		
	Water Fund	Transfer Station Fund	Total
Operating Revenues			
Charges for services	\$ 908,357	\$ 201,620	\$ 1,109,977
Other	<u>15,720</u>	<u>-</u>	<u>15,720</u>
Total Operating Revenues	924,077	201,620	1,125,697
Operating Expenses			
Salaries and benefits	106,064	19,498	125,562
Other operating expenses	384,777	148,961	533,738
Depreciation	<u>180,913</u>	<u>501</u>	<u>181,414</u>
Total Operating Expenses	<u>671,754</u>	<u>168,960</u>	<u>840,714</u>
Operating Income	252,323	32,660	284,983
Nonoperating Revenues (Expenses)			
Intergovernmental revenue	134,095	10,498	144,593
Interest expense	<u>(48,084)</u>	<u>-</u>	<u>(48,084)</u>
Total Nonoperating Revenues (Expenses), Net	<u>86,011</u>	<u>10,498</u>	<u>96,509</u>
Change in Net Position	338,334	43,158	381,492
Net Position, at Beginning of Year	<u>9,933,248</u>	<u>130,213</u>	<u>10,063,461</u>
Net Position, at End of Year	\$ <u><u>10,271,582</u></u>	\$ <u><u>173,371</u></u>	\$ <u><u>10,444,953</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2021

	Business-Type Activities Enterprise Funds		
	Water Fund	Transfer Station Fund	Total
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 924,086	\$ 201,620	\$ 1,125,706
Payments to employees	(154,372)	(29,073)	(183,445)
Payments to vendors	<u>(701,357)</u>	<u>(148,706)</u>	<u>(850,063)</u>
Net Cash Provided By Operating Activities	68,357	23,841	92,198
Cash Flows From Noncapital Financing Activities			
Intergovernmental receipt	<u>134,095</u>	<u>10,498</u>	<u>144,593</u>
Net Cash Provided By Noncapital Financing Activities	134,095	10,498	144,593
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets	(324,200)	-	(324,200)
Proceeds of bonds	1,590,719	-	1,590,719
Principal payments on bonds	(901,300)	-	(901,300)
Principal payments on notes	(1,488,037)	-	(1,488,037)
Interest expense	<u>(48,084)</u>	<u>-</u>	<u>(48,084)</u>
Net Cash (Used For) Capital and Related Financing Activities	(1,170,902)	-	(1,170,902)
Net Change in Cash and Short-Term Investments	(968,450)	34,339	(934,111)
Cash and Short Term Investments, Beginning of Year	<u>2,966,010</u>	<u>57,227</u>	<u>3,023,237</u>
Cash and Short Term Investments, End of Year	\$ <u><u>1,997,560</u></u>	\$ <u><u>91,566</u></u>	\$ <u><u>2,089,126</u></u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities			
Operating income	\$ 252,323	\$ 32,660	\$ 284,983
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	180,913	501	181,414
Changes in assets, liabilities, and deferred outflows/inflows:			
User fees	9	-	9
Deferred outflows - related to pension	10,822	1,824	12,646
Deferred outflows - related to OPEB	5,861	-	5,861
Warrants payable and accrued liabilities	(316,580)	11,140	(305,440)
Net pension liability	(67,926)	(11,280)	(79,206)
Net OPEB liability	4,606	-	4,606
Landfill liability	-	(10,885)	(10,885)
Compensated absences	2,307	-	2,307
Deferred inflows - related to pension	(1,539)	(119)	(1,658)
Deferred inflows - related to OPEB	<u>(2,439)</u>	<u>-</u>	<u>(2,439)</u>
Net Cash Provided By Operating Activities	\$ <u><u>68,357</u></u>	\$ <u><u>23,841</u></u>	\$ <u><u>92,198</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2021

	Other Post- Employment Benefits <u>Trust Fund</u>	Custodial <u>Funds</u>
Assets		
Cash and short-term investments	\$ 1,211	\$ 25,327
Investments in:		
Certificates of deposit	-	17,665
Corporate bonds	-	66,214
Corporate equities	239,619	17,480
Federal agency securities	-	10,324
Mutual funds	98,816	10,813
U.S. Treasury notes	<u>-</u>	<u>24,489</u>
Total Investments	338,435	146,985
Other asset	<u>28,638</u>	<u>-</u>
Total Assets	368,284	172,312
Net Position		
Restricted for OPEB purposes	368,284	-
Restricted for individuals, organizations, and other governments	<u>-</u>	<u>172,312</u>
Total Net Position	<u>\$ 368,284</u>	<u>\$ 172,312</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2021

	Other Post- Employment Benefits <u>Trust Fund</u>	Custodial <u>Funds</u>
Additions		
Contributions	\$ 246,949	\$ -
Interest	69,628	7,092
Fees collected for State of Massachusetts	-	14,644
Fees collected for others	<u>-</u>	<u>9,127</u>
Total Additions	316,577	30,863
Deductions		
Benefit payments to plan members and beneficiaries	218,311	-
Payments of fees to State of Massachusetts	-	15,213
Payments of fees to others	<u>-</u>	<u>7,692</u>
Total Deductions	218,311	22,905
Net Increase	98,266	7,958
Restricted Net Position		
Beginning of Year	<u>270,018</u>	<u>164,354</u>
End of Year	<u>\$ 368,284</u>	<u>\$ 172,312</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Southampton, Massachusetts (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

The Town is a municipal corporation governed by an elected Board of Selectmen. As required by GAAP, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2021, it was determined that no entities met the component unit requirements of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* (as amended).

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures such as debt service, claims and judgments, compensated absences, OPEB, and pension are recorded only when payment is due.

The Town reports the following major governmental funds:

- The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Community Preservation Fund* is a fund authorized by Massachusetts General Laws Chapter 44B, under which the Town receives state aid and assesses taxpayers a surcharge on real property. Within certain limits, the Town may appropriate funds from this account for various purposes that fall under the categories of open space, historic preservation, or community housing.
- The *Town Grant Fund* is used to account for the Town's non-education related federal and state grants.

The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when 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 a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports the following major proprietary funds:

- The *Water Enterprise Fund*, which accounts for operations of the Town's water delivery system.
- The *Transfer Station Enterprise Fund*, which accounts for the operations of the Town's landfill.

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

The Town reports the following fiduciary funds:

- The *Other Post-Employment Benefits Trust Fund* is used to accumulate resources for health and life insurance benefits for retired employees.
- The *Custodial Funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others and are not required to be reported elsewhere on the financial statements. Custodial funds include taxes and fees collected on behalf of other governments and individuals.

Cash and Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposit, savings accounts, and money markets. Generally, a cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is

reflected on the financial statements under the caption “cash and short-term investments”.

For purpose of the Statement of Cash Flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

Where applicable, fair values are based on quotations from national securities exchanges, except for certain investments that are required to be presented using net asset value (NAV). The NAV per share is the amount of net assets attributable to each share outstanding at the close of the period. Investments measured using NAV for fair value are not subject to level classification.

Investments are carried at fair value, except certificates of deposit, which are reported at cost.

Property Tax Limitations

Legislation known as “Proposition 2 ½” has limited the amount of revenue that can be derived from property taxes. The prior fiscal year’s tax levy limit is used as a base and cannot increase by more than 2.5% (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2021 tax levy reflected an excess capacity of \$990. Certain provisions of Proposition 2 ½ can be overridden by a referendum.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20
Buildings	40
Building improvements	40
Water infrastructure	100
Vehicles and equipment	5 - 10

Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

Fund Balance

Generally, fund balance represents the difference between current assets/deferred outflows and current liabilities/deferred inflows. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods. The General Fund is the only fund that reports a positive unassigned fund balance.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned and unassigned.

Net Position

Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on use either through enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of

the basic financial statements, and the reported amounts of revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance, and Accountability

Budgetary Information

At the annual town meeting, the Finance Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. “Extraordinary” includes expenses which are not in the usual line or are great or exceptional. “Unforeseen” includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public.

Formal budgetary integration is employed as a management control device during the year for the General Fund and proprietary funds.

At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

Deficit Fund Equity

Certain individual funds reflected deficit balances as of June 30, 2021. It is anticipated that the deficits in these funds will be eliminated through future departmental and grant revenues, bond proceeds, and transfers from other funds.

3. Deposits and Investments – Town

Massachusetts General Laws (MGL) Chapter 44, Section 55 place certain limitation on the nature of deposits and investments available to the Town. Deposits, including demand deposits, money markets, and certificates of deposits in any one financial institution, may not exceed 60% of the capital and surplus of such institution unless collateralized by the institution involved. Investments may be made in unconditionally guaranteed U.S. government obligations having maturities of a year or less from the

date of purchase, or through repurchase agreements with maturities no greater than 90 days in which the underlying securities consist of such obligations. Other allowable investments include certificates of deposits having a maturity date of up to 3 years from the date of purchase, national banks, and Massachusetts Municipal Depository Trust (MMDT). MGL Chapter 44, Section 54 provides additional investment options for certain special revenue, trust, and OPEB funds.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned. The Town does not have a formal investment policy related to credit risk.

As of June 30, 2021, none of the Town’s bank balance of \$6,866,814 was exposed to custodial credit risk as uninsured and uncollateralized.

Investment Summary

The following is a summary of the Town’s investments as of June 30, 2021:

<u>Investment Type</u>	<u>Amount</u>
Certificates of deposit	\$ 238,178
Corporate bonds	892,803
Corporate equities	235,700
Federal agency securities	139,209
Mutual funds	145,798
U.S. Treasury notes	<u>330,200</u>
Total Investments	\$ <u><u>1,981,888</u></u>

Custodial Credit Risk – Investments

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Town will not be able to recover the value of its investment or collateral securities that are in possession of another party. The Town’s custodial credit risk policy is to review the financial institution’s financial statements to limit the Town’s exposure to only those institutions with a proven financial strength, capital adequacy of the firm, and overall affirmative reputation in the municipal industry. Further, all securities not held directly by the Town, will be held in the Town’s name and tax identification number by a third-party custodian.

As of June 30, 2021, the Town did not have investments subject to custodial credit risk exposure as all assets were held in the Town's name.

Credit Risk – Investments in Debt Securities

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. The Town's investment policies related to credit risk are to only purchase investment grade securities rated A or better. There is no limit on the amount of United States Treasury and United States Government Agency obligations.

As of June 30, 2021, the credit quality ratings, as rated by Moody's Investors Service, Inc of the Town's debt securities were as follows (U.S. Treasury notes have an implied rating of AAA):

<u>Investment Type</u>	<u>Amount</u>	<u>Unrated</u>	<u>Rating as of Year End</u>		
			<u>Aaa</u>	<u>A1/A2/A3</u>	<u>Baa1/2</u>
Certificates of deposit	\$ 238,178	\$ 238,178	\$ -	\$ -	\$ -
Corporate bonds	892,803	-	-	359,167	533,636
Federal agency securities	<u>139,209</u>	<u>-</u>	<u>139,209</u>	<u>-</u>	<u>-</u>
Total	\$ <u>1,270,190</u>	\$ <u>238,178</u>	\$ <u>139,209</u>	\$ <u>359,167</u>	\$ <u>533,636</u>

Concentration of Credit Risk – Investments

Concentration of credit risk is the risk of loss attributable to the magnitude of the Town's investment in a single issuer. The Town's investment policy manages concentration of credit risk by diversifying the investment portfolio.

Individual investments exceeding 5% of the Town's total investments are as follows:

<u>Investment Issuer</u>	<u>Amount</u>	<u>% of Total Investments</u>
General Electric	\$ 111,322	5.62%
AT&T	107,681	5.43%

Interest Rate Risk – Investments in Debt Securities

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town will manage interest rate risk by limiting and monitoring investment maturities.

Information about the sensitivity of the fair values of the Town’s investments to market interest rate fluctuations was as follows at June 30, 2021:

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less Than 1</u>	<u>1 - 5</u>
Certificates of deposit	\$ 238,178	\$ 55,550	\$ 182,628
Corporate bonds	892,803	189,497	703,306
Federal agency securities	139,209	-	139,209
U.S. Treasury notes	<u>330,200</u>	<u>220,167</u>	<u>110,033</u>
Total	\$ <u>1,600,390</u>	\$ <u>465,214</u>	\$ <u>1,135,176</u>

Foreign Currency Risk – Investments

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy for foreign currency risk.

At June 30, 2021, none of the Town’s investments were exposed to foreign currency risk.

Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*.

The hierarchy is based on the valuation inputs used to measure the fair value of an asset or liability and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date.
- Level 2 – inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as Level 2.

- Level 3 – unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation.

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

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value Measurements Using:</u>		
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments by fair value level:				
Corporate bonds	\$ 892,803	\$ -	\$ 892,803	\$ -
Corporate equities	235,700	235,700	-	-
Federal agency securities	139,209	-	139,209	-
Mutual funds	145,798	145,798	-	-
U.S. Treasury notes	<u>330,200</u>	<u>-</u>	<u>330,200</u>	<u>-</u>
Total	\$ <u>1,743,710</u>	\$ <u>381,498</u>	\$ <u>1,362,212</u>	\$ <u>-</u>

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities relationship to benchmark quote prices. Level 2 debt securities have non-proprietary information that is readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

4. Investments – OPEB Trust Fund

Generally, the OPEB Trust Fund’s investment policies mirror that of the Town as discussed in the previous note.

The following is a summary of the OPEB Trust Fund’s investments as of June 30, 2021:

<u>Investment Type</u>	<u>Amount</u>
Equity mutual funds	\$ 239,619
Fixed income mutual funds	<u>98,816</u>
Total Investments	<u>\$ 338,435</u>

Custodial Credit Risk

As of June 30, 2021, none of the OPEB Trust Fund’s investments were subject to custodial credit risk exposure as all assets were held in the Town’s name.

Credit Risk – Investments in Debt Securities

As of June 30, 2021, the credit quality ratings, as rated by Moody’s Investors Service, Inc. of the of the Town's debt securities are as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>				
		<u>Aaa/Aa2</u>	<u>A2</u>	<u>Baa2/Ba2</u>	<u>B2/Below B</u>	<u>Unrated</u>
Fixed income mutual funds	\$ <u>98,816</u>	\$ <u>33,533</u>	\$ <u>11,384</u>	\$ <u>29,800</u>	\$ <u>16,223</u>	\$ <u>7,876</u>

Concentration of Credit Risk

Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit disclosure.

Interest Rate Risk

Information about the sensitivity of the fair values of the OPEB Trust Fund’s investments to market interest rate fluctuations is as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>Thereafter</u>
Fixed income mutual funds	\$ <u>98,816</u>	\$ <u>8,520</u>	\$ <u>22,339</u>	\$ <u>38,049</u>	\$ <u>29,908</u>

Fair Value

The OPEB Trust Fund has the following fair value measurements as of June 30, 2021:

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value Measurements Using:</u>		
		Quoted prices in active markets for identical assets <u>(Level 1)</u>	Significant observable inputs <u>(Level 2)</u>	Significant unobservable inputs <u>(Level 3)</u>
Investments by fair value level:				
Equity mutual funds	\$ 239,619	\$ 239,619	\$ -	\$ -
Fixed income mutual funds	<u>98,816</u>	<u>-</u>	<u>98,816</u>	<u>-</u>
Total	<u>\$ 338,435</u>	<u>\$ 239,619</u>	<u>\$ 98,816</u>	<u>\$ -</u>

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities relationship to benchmark quote prices. Level 2 debt securities have non-proprietary information that is readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

5. Property Taxes and Excises Receivable

Real and personal property taxes are based on market values assessed as of each January 1. By law, all taxable property must be assessed at 100% of fair cash value. Also by law, property taxes must be levied at least 30 days prior to their due date. Once levied, these taxes are recorded as receivables, net of estimated uncollectible balances. Property tax revenues have been recorded using the accrual and modified accrual basis of accounting on the government-wide and fund basis statement, respectively.

The Town bills and collects its property taxes on a quarterly basis following the January 1 assessment. The due dates for those quarterly tax billings are August 1, November 1, February 1, and May 1. Property taxes that remain unpaid after the respective due dates are subject to penalties and interest charges.

Based on the Town’s experience, most property taxes are collected during the year in which they are assessed. Liening of properties on which taxes remain unpaid generally occurs annually. The Town ultimately has the right to foreclose on all properties where the taxes remain unpaid.

A statewide property tax limitation known as “Proposition 2 ½” limits the amount of increase in the property tax levy in any fiscal year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2 ½% of the total assessed value of all taxable property within the Town. Secondly, the tax levy cannot increase by more than 2 ½% of the prior year’s levy plus the taxes on property newly added to the tax rolls.

Motor vehicle excise taxes are assessed annually for every motor vehicle and trailer registered in the Commonwealth of Massachusetts. The Registry of Motor Vehicles annually calculates the value of all registered motor vehicles for the purpose of excise assessment. The amount of motor vehicle excise tax due is calculated using a fixed rate of \$25 per \$1,000 of value.

Property taxes and excises receivable at June 30, 2021 consisted of the following:

	<u>Total</u>
Real estate taxes	\$ 132,581
Personal property taxes	661
Community preservation act	4,556
Tax liens	<u>147,632</u>
Total Property Taxes	285,430
Less current portion:	<u>(137,798)</u>
Noncurrent Taxes Receivable	<u>\$ 147,632</u>
Motor vehicle excise	170,875
Boat excise	<u>1,359</u>
Total Excises	<u>\$ 172,234</u>

6. User Fee Receivables

Receivables for user charges at June 30, 2021 consisted of the following:

	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Governmental Activities			
Ambulance	\$ <u>189,324</u>	\$ <u>(130,600)</u>	\$ <u>58,724</u>
Business-Type Activities			
Water charges	\$ 95,213	\$ -	\$ 95,213
Water liens/tax title	<u>4,857</u>	<u>-</u>	<u>4,857</u>
Total	\$ <u>100,070</u>	\$ <u>-</u>	\$ <u>100,070</u>

7. Intergovernmental Receivables

The balance represents reimbursements requested from federal and state agencies for expenditures incurred in fiscal year 2021.

8. Loans Receivable

This balance represents loans to taxpayers for septic improvements granted under a state-sponsored Title V loan program.

9. Capital Assets

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

	Beginning Balance	Increases	Decreases	Convert CIP	Ending Balance
Governmental Activities					
Capital assets, being depreciated:					
Buildings and improvements	\$ 27,835,255	\$ 152,030	\$ -	\$ -	\$ 27,987,285
Machinery, equipment, and furnishings	4,008,780	348,562	-	-	4,357,342
Infrastructure	<u>67,699</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,699</u>
Total capital assets, being depreciated	31,911,734	500,592	-	-	32,412,326
Less accumulated depreciation for:					
Buildings and improvements	(24,049,336)	(221,645)	-	-	(24,270,981)
Machinery, equipment, and furnishings	(3,233,343)	(218,104)	-	-	(3,451,447)
Infrastructure	<u>(16,925)</u>	<u>(3,385)</u>	<u>-</u>	<u>-</u>	<u>(20,310)</u>
Total accumulated depreciation	<u>(27,299,604)</u>	<u>(443,134)</u>	<u>-</u>	<u>-</u>	<u>(27,742,738)</u>
Capital assets, being depreciated, net	4,612,130	57,458	-	-	4,669,588
Capital assets, not being depreciated:					
Land	9,536,082	-	-	-	9,536,082
Construction in progress (CIP)	<u>282,169</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>282,169</u>
Total capital assets, not being depreciated	<u>9,818,251</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,818,251</u>
Governmental activities capital assets, net	\$ <u>14,430,381</u>	\$ <u>57,458</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>14,487,839</u>

	Beginning Balance	Increases	Decreases	Convert CIP	Ending Balance
Business-Type Activities					
Capital assets, being depreciated:					
Buildings and improvements	\$ 1,341,348	\$ -	\$ -	\$ -	\$ 1,341,348
Machinery, equipment, and furnishings	134,663	-	-	-	134,663
Infrastructure	<u>12,441,266</u>	<u>-</u>	<u>-</u>	<u>1,700,795</u>	<u>14,142,061</u>
Total capital assets, being depreciated	13,917,277	-	-	1,700,795	15,618,072
Less accumulated depreciation for:					
Buildings and improvements	(1,231,802)	(32,317)	-	-	(1,264,119)
Machinery, equipment, and furnishings	(85,494)	(7,676)	-	-	(93,170)
Infrastructure	<u>(2,994,693)</u>	<u>(141,421)</u>	<u>-</u>	<u>-</u>	<u>(3,136,114)</u>
Total accumulated depreciation	<u>(4,311,989)</u>	<u>(181,414)</u>	<u>-</u>	<u>-</u>	<u>(4,493,403)</u>
Capital assets, being depreciated, net	9,605,288	(181,414)	-	1,700,795	11,124,669
Capital assets, not being depreciated:					
Land	<u>2,249,295</u>	<u>324,200</u>	<u>-</u>	<u>(1,700,795)</u>	<u>872,700</u>
Total capital assets, not being depreciated	<u>2,249,295</u>	<u>324,200</u>	<u>-</u>	<u>(1,700,795)</u>	<u>872,700</u>
Business-type activities capital assets, net	\$ <u>11,854,583</u>	\$ <u>142,786</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>11,997,369</u>

Depreciation expense was charged to functions of the Town as follows:

Governmental Activities	
General government	\$ 126,513
Public safety	124,198
Education	67,124
Public works	78,106
Health and human services	41,762
Culture and recreation	<u>5,431</u>
Total Governmental Activities	\$ <u>443,134</u>
Business-Type Activities	
Water	\$ 180,913
Transfer Station	<u>501</u>
Total Business-Type Activities	\$ <u>181,414</u>

10. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net assets by the Town that apply to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pension and OPEB, in accordance with GASB Statements No. 68 and 75, are more formally discussed in the corresponding pension and OPEB notes.

11. Unearned Revenue

Unearned revenue represents grant funds received by the Town from the American Rescue Plan Act (ARPA). These funds will be used for COVID-19 related expenditures or negative economic impacts of COVID-19 over the next few years.

12. Long-Term Debt

General Obligation Bonds, Notes, and Loans

The Town issues general obligation bonds, notes from direct borrowings, and long-term notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds, long-term notes, and notes from direct borrowings have been issued for governmental funds. General obligation bonds and notes from direct borrowings have been issued for business-type activities. General obligation bonds, long-term notes, and loans from direct borrowings outstanding are as follows:

	Serial Maturities Through	Interest Rate(s)%	Amount Outstanding as of June 30, 2021
Governmental Activities			
<i>General Obligation Bonds</i>			
Dump Truck	05/15/28	2.0 - 3.0	\$ 215,000
Pomeroy Meadow	05/15/30	2.0 - 3.0	395,000
Larrabee Renovation	06/30/30	2.0 - 5.0	<u>975,000</u>
Total general obligation bonds			1,585,000
<i>Loans - Direct Borrowings</i>			
MCWT - Septic Betterments	07/15/25	-	37,500
MCWT - Septic Betterments	07/15/27	-	17,500
MCWT - Septic Betterments	01/14/40	-	<u>142,500</u>
Total loans - direct borrowings			197,500
<i>Long-Term Notes Payable</i>			
Ambulance *	04/01/23	1.25	136,129
Multipurpose loan	05/20/24	1.0	<u>404,489</u>
Total long-term notes payable			<u>540,618</u>
Total Governmental Activities			\$ <u>2,323,118</u>
Business-Type Activities			
<i>General Obligation Bonds</i>			
Water system expansion (refunded)	05/15/33	2.0 - 3.0	\$ 260,000
Water system expansion #3 (refunded)	05/15/36	2.0 - 3.0	435,000
Water system improvements	05/15/36	2.0 - 3.0	<u>965,000</u>
Total general obligation bonds			1,660,000
<i>Loans - Direct Borrowings</i>			
MCWT - Water system upgrade	08/01/22	1.0 - 2.0	140,000
MCWT - DWP-18-12	07/15/41	2.0	<u>1,590,719</u>
Total loans - direct borrowings			<u>1,730,719</u>
Total Business-Type Activities			\$ <u>3,390,719</u>

* This borrowing is a combination of several short-term notes intended to finance this purchase over a period of time. This is being accomplished by rolling over short-term notes for lesser amounts each year. The interest rate reported is the interest rate for the short-term note issued in fiscal year 2021 and due in fiscal year 2022.

Future Debt Service

The annual payments to retire all general obligation bonds, long-term notes, and notes from direct borrowings outstanding as of June 30, 2021 are as follows:

Governmental	General Obligation Bonds and Notes			Notes from Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 396,554	\$ 61,415	\$ 457,969	\$ 17,500	\$ -	\$ 17,500
2023	387,064	52,359	439,423	17,500	-	17,500
2024	317,000	43,480	360,480	17,500	-	17,500
2025	185,000	35,568	220,568	17,500	-	17,500
2026	185,000	28,918	213,918	17,500	-	17,500
2027 - 2031	655,000	53,660	708,660	42,500	-	42,500
2032 - 2036	-	-	-	37,500	-	37,500
Thereafter	-	-	-	30,000	-	30,000
Total	\$ <u>2,125,618</u>	\$ <u>275,400</u>	\$ <u>2,401,018</u>	\$ <u>197,500</u>	\$ <u>-</u>	\$ <u>197,500</u>

Business-Type	General Obligation Bonds			Notes from Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 110,000	\$ 38,700	\$ 148,700	\$ 134,346	\$ 22,381	\$ 156,727
2023	110,000	35,400	145,400	135,745	30,527	166,272
2024	110,000	32,100	142,100	67,174	29,213	96,387
2025	110,000	28,800	138,800	68,633	27,869	96,502
2026	110,000	25,500	135,500	70,125	26,496	96,621
2027 - 2031	585,000	87,900	672,900	374,159	110,825	484,984
2032 - 2036	525,000	30,000	555,000	416,626	71,747	488,373
Thereafter	-	-	-	463,911	28,234	492,145
Total	\$ <u>1,660,000</u>	\$ <u>278,400</u>	\$ <u>1,938,400</u>	\$ <u>1,730,719</u>	\$ <u>347,292</u>	\$ <u>2,078,011</u>

Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-Term Portion
Governmental Activities						
Long-term notes payable	\$ 204,194	\$ 404,489	\$ (68,065)	\$ 540,618	\$ (206,554)	\$ 334,064
Bonds payable:						
General obligation bonds	1,775,000	-	(190,000)	1,585,000	(190,000)	1,395,000
Notes - direct borrowings	<u>225,200</u>	<u>-</u>	<u>(27,700)</u>	<u>197,500</u>	<u>(17,500)</u>	<u>180,000</u>
Subtotal - Bonds payable	2,000,200	-	(217,700)	1,782,500	(207,500)	1,575,000
Net pension liability	6,443,000	-	(571,611)	5,871,389	-	5,871,389
Net OPEB liability	11,376,681	671,859	-	12,048,540	-	12,048,540
Compensated absences	<u>170,564</u>	<u>-</u>	<u>(1,591)</u>	<u>168,973</u>	<u>-</u>	<u>168,973</u>
Totals	\$ <u>20,194,639</u>	\$ <u>1,076,348</u>	\$ <u>(858,967)</u>	\$ <u>20,412,020</u>	\$ <u>(414,054)</u>	\$ <u>19,997,966</u>

	Beginning Balance	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-Term Portion
Business-Type Activities						
Bonds payable:						
General obligation bonds	\$ 1,765,000	\$ -	\$ (105,000)	\$ 1,660,000	\$ (110,000)	\$ 1,550,000
Notes - direct borrowings	<u>205,000</u>	<u>1,590,719</u>	<u>(65,000)</u>	<u>1,730,719</u>	<u>(134,346)</u>	<u>1,596,373</u>
Subtotal - Bonds payable	1,970,000	1,590,719	(170,000)	3,390,719	(244,346)	3,146,373
Net pension liability	231,608	-	(79,206)	152,402	-	152,402
Net OPEB liability	103,651	4,606	-	108,257	-	108,257
Landfill liability	65,310	-	(10,885)	54,425	(10,885)	43,540
Compensated absences	<u>10,740</u>	<u>2,307</u>	<u>-</u>	<u>13,047</u>	<u>-</u>	<u>13,047</u>
Totals	\$ <u>2,381,309</u>	\$ <u>1,597,632</u>	\$ <u>(260,091)</u>	\$ <u>3,718,850</u>	\$ <u>(255,231)</u>	\$ <u>3,463,619</u>

Long-Term Debt Supporting Governmental and Business-Type Activities

General obligation bonds, long-term notes, and notes from direct borrowings, issued by the Town for various municipal projects are approved by Town Meeting and repaid with revenues recorded in the General Fund and user fees recorded in enterprise funds. All other long-term debt is repaid from the funds that the cost related to, primarily the General Fund and enterprise funds.

13. Landfill Closure and Post Closure Care Costs

State and federal laws and regulations require the Town to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure.

The \$54,425 reported as landfill postclosure care liability at June 30, 2021 represents the remaining estimated post closure maintenance costs. These amounts are based on what it would cost to perform all postclosure care in 2021. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

14. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of net assets by the Town that apply to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB, in accordance with GASB Statements No. 68 and 75, are more formally discussed in the corresponding pension and OPEB notes. *Unavailable revenues* are reported in the governmental funds Balance Sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

15. Transfers

The Town reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The following is an analysis of major interfund transfers:

Governmental Funds	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 195,765	\$ 156,700
Town grant fund	-	195,765
Nonmajor Funds:		
Capital project funds	<u>156,700</u>	<u>-</u>
Total	<u>\$ 352,465</u>	<u>\$ 352,465</u>

16. Governmental Funds – Balances

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The Town has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2021:

Nonspendable

Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted

Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes bonded projects, various special revenue funds and the income portion of permanent trust funds.

Committed

Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes stabilization funds restricted for specific purposes, and capital projects funded by appropriations.

Assigned

Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes General Fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period, and surplus set aside to be used in the subsequent year's budget.

Unassigned

Represents amounts that are available to be spent in future periods, the general stabilization fund, and deficit funds.

Following is a breakdown of the Town's fund balances at June 30, 2021:

	General Fund	Community Preservation Fund	Town Grant Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Nonexpendable					
permanent funds	\$ -	\$ -	\$ -	\$ 365,317	\$ 365,317
Total Nonspendable	-	-	-	365,317	365,317
Restricted					
Bonded projects	-	-	-	224,652	224,652
Special revenue funds	-	2,287,522	720,963	572,918	3,581,403
Expendable permanent funds	-	-	-	174,264	174,264
Total Restricted	-	2,287,522	720,963	971,834	3,980,319
Committed					
Stabilization funds for specific purposes *	129,179	-	-	-	129,179
Capital projects funded by appropriation	-	-	-	52,211	52,211
Total Committed	129,179	-	-	52,211	181,390
Assigned					
Encumbrances:					
General government	16,066	-	-	-	16,066
Public safety	220	-	-	-	220
Public works	1,599	-	-	-	1,599
Employee benefits	10,997	-	-	-	10,997
Reserve for expenditures:					
Operating budget	28,875	-	-	-	28,875
Capital budget	39,965	-	-	-	39,965
Stabilization contribution	184,145	-	-	-	184,145
Total Assigned	281,867	-	-	-	281,867
Unassigned					
General Fund	392,227	-	-	-	392,227
General stabilization fund *	449,649	-	-	-	449,649
Deficit funds	-	-	(32,048)	(18,983)	(51,031)
Total Unassigned	841,876	-	(32,048)	(18,983)	790,845
Total Fund Balance	\$ 1,252,922	\$ 2,287,522	\$ 688,915	\$ 1,370,379	\$ 5,599,738

* Massachusetts General Law Chapter 40, Section 5B allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires 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.

17. Hampshire County Retirement System

The Town follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to employees' retirement funds.

Plan Description

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Hampshire Contributory Retirement System (the System), a cost sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System’s annual financial reports publicly available from the System located at 99 Industrial Avenue, Northampton, MA 01060.

Participants’ Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of Massachusetts General Laws. The employee’s individual contribution percentage is determined by their date of entry into the System. In addition, all employees hired on or after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 – December 31, 1983	7%
January 1, 1984 – June 30, 1996	8%
Beginning July 1, 1996	9%

For those members entering the System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

Participant Retirement Benefits

A retirement allowance consists of two parts: an annuity and a pension. A member’s accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest 5-year average annual rate of regular compensation for those first becoming members of the System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100%, the normal yearly amount of the retirement allowance shall be based on

the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

There are 4 classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other three classes are as follows:

- Group 1 – General employees, including clerical, administrative, technical, and all other employees not otherwise classified.
- Group 2 – Certain specified hazardous duty positions.
- Group 4 – Police officers, firefighters, and other specified hazardous positions.

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the group position for at least 12 months immediately prior to retirement.

Methods of Payment

A member may elect to receive his or her retirement allowance in one of three forms of payment as follows:

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member’s designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or “pops up” to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable “pops up” to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The Town’s contribution to the System for the year ended June 30, 2021 was \$880,868, which was equal to its annual required contribution.

Summary of Significant Accounting Policies

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At June 30, 2021, the Town reported a liability of \$6,023,791 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, rolled forward to December 31, 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 employers, actuarially determined. At June 30, 2021, the Town's proportion was 3.37%, which was an increase of 0.03% from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$599,498. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ -	\$ (169,487)
Net difference between projected and actual earnings on pension plan investments	-	(679,623)
Changes of assumptions	507,967	(138,557)
Changes in proportion and differences between pension contributions and proportionate share of contributions	<u>284,859</u>	<u>-</u>
Total	\$ <u>792,826</u>	\$ <u>(987,667)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as increases (decreases) in pension expense as follows:

<u>Year ended June 30:</u>	
2022	\$ (130,796)
2023	18,535
2024	(197,735)
2025	9,621
Thereafter	<u>105,534</u>
Total	\$ <u>(194,841)</u>

Actuarial Assumptions

The total pension liability in the latest actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	1/1/2020
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	7.15%
Salary increases	
Group 1:	4.25% - 6.00%
Group 4:	4.75% - 7.00%
Inflation	2.20%
Post-retirement cost-of-living adjustment	3% of first \$13,000
Remaining amortization period	12 years

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2018. For disabled lives, the mortality rates were based on the RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2018.

Target Allocations

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	25.00%	4.30%
Non-US developed equity	13.50%	4.40%
Emerging equity	7.00%	6.30%
Private equity	11.00%	7.90%
Core bonds	15.00%	0.30%
Value added fixed income	13.50%	2.70%
Real estate	13.00%	4.20%
Cash	<u>2.00%</u>	-0.30%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive 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 Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.15%, as well as what the Town’s proportionate

share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

1% Decrease	Current Discount Rate	1% Increase
<u>(6.15%)</u>	<u>(7.15%)</u>	<u>(8.15%)</u>
\$8,272,079	\$6,023,791	\$4,125,066

Pension Plan Fiduciary Net Position

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

18. Massachusetts Teachers’ Retirement System (MTRS)

Plan Description

The Massachusetts Teachers’ Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing, multi-employer, defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth of Massachusetts on behalf of municipal teachers and municipal teacher retirees. The Commonwealth of Massachusetts is a nonemployer contributor and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is part of the Commonwealth of Massachusetts’ reporting entity and does not issue a standalone audited financial report.

Management of MTRS is vested in the Massachusetts Teachers’ Retirement Board (MTRB), which consists of seven members — two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves ex-officio as the Chairman of the MTRB.

Benefits Provided

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establish uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member’s highest 3-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last 5 years or any 5 consecutive years, whichever is greater in terms of compensation. Benefit

payments are based upon a member’s age, length of creditable service and group creditable service and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of creditable service or upon reaching the age of 55 with 10 years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

The MTRS’ funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

Contributions

Member contributions for MTRS vary depending on the most recent date of membership:

<u>Membership Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 to 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation in excess of \$30,000

Actuarial Assumptions

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of January 1, 2020, rolled forward to June 30, 2020. This valuation used the following assumptions:

- (a) 7.15% (changed from 7.25%) investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase per year on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality through January 1, 2017.

- Mortality rates were as follows:
 - Pre-retirement – reflects Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).
 - Post-retirement – reflects Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).
 - Disability – assumed to be in accordance with the Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).

Target Allocations

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. 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 rates of return 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 rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund’s target asset allocation as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	39.00%	4.80%
Core fixed income	15.00%	0.70%
Private equity	13.00%	8.20%
Portfolio completion strategies	11.00%	3.20%
Real estate	10.00%	3.50%
Value added fixed income	8.00%	4.20%
Timber/natural resources	<u>4.00%</u>	4.10%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth of Massachusetts’ contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the 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 Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate (in thousands):

1% Decrease	Current Discount Rate	1% Increase
<u>(6.15%)</u>	<u>(7.15%)</u>	<u>(8.15%)</u>
\$35,411,955	\$28,544,844	\$22,908,510

Special Funding Situation

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarial determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) and the Commonwealth of Massachusetts is a nonemployer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

Town Proportions

In fiscal year 2020 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability was approximately \$12.5 million based on a proportionate share of 0.044%. As required by GASB 68, the Town has recognized its portion of the Commonwealth's contribution of approximately \$678,000 as both a revenue and expenditure on the Statement of Revenues, Expenditures, and Changes in Fund Balance, and its portion of the collective pension expense of \$1.5 million as both a revenue and expense on the Statement of Activities.

19. Other Post-Employment Benefits

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (OPEB), replaces the requirements of Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2013, the Town established a single-employer defined benefit OPEB Trust Fund to provide funding for future employee health care costs. The OPEB Trust Fund does not issue a stand-alone financial report.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other*

Than Pensions. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All the following OPEB disclosures are based on a measurement date of June 30, 2021.

General Information about the OPEB Plan

Plan Description

The Town provides post-employment healthcare benefits for retired employees through the Town's plan. The Town provides health insurance coverage through the Hampshire County Group Insurance Trust. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of Massachusetts General Laws.

Benefits Provided

The Town provides medical and prescription drug insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

Funding Policy

The Town's funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute. Additional contributions are based on annual budget limitations.

Plan Membership

At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	53
Active employees	<u>122</u>
Total	<u><u>175</u></u>

Investments

The OPEB trust fund assets consist of corporate equity and fixed income mutual funds.

Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 25.8%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial Assumptions

The net OPEB liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3%
Salary increases	3%
Investment rate of return	not applicable
Municipal bond rate and discount rate	2.18%
Healthcare cost trend rates	8% for 2021, decreasing 0.5% to an ultimate rate of 5% in 2026 and later years
Retirees' share of benefit-related costs	50%
Participation rate	70% of eligible retirees

Mortality rates were based on the RP-2006 Mortality with MP-2019 projection.

Target Allocations

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation Percentage</u>
Domestic equity	31.00%
International equity	21.00%
Fixed income	28.00%
Alternatives	20.00%
Cash	<u>0.00%</u>
Total	<u>100.00%</u>

Contributions

In addition to the implicit subsidy contribution, the Town's policy is to contribute the actuarially determined contribution or amounts provided annually by the budget.

Discount Rate

The discount rate used to measure the net OPEB liability was 2.18%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. As a result, the discount rate was equal to the municipal bond rate of 2.18%, based on the S&P 20 years AA Municipal Bond Index.

Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2021, were as follows:

Total OPEB liability	\$ 12,525,331
Plan fiduciary net position	<u>(368,534) *</u>
Net OPEB Liability	<u>\$ 12,156,797</u>

Plan fiduciary net position as a percentage of the total OPEB liability 2.94%

** May not agree to Statement of Fiduciary Net Position due to timing difference in net investment income*

The fiduciary net position has been determined on the same basis used by the OPEB plan. For this purpose, the plan recognized benefit payments when due and payable.

Changes in the Net OPEB Liability

The following summarizes the changes in the net OPEB liability for the past year:

	Increase (Decrease)		
	Total OPEB Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net OPEB Liability <u>(a) - (b)</u>
Balance, Beginning of Year	\$ 11,750,350	\$ 270,018	\$ 11,480,332
Changes for the year:			
Service cost	483,388	-	483,388
Interest	302,473	-	302,473
Difference between expected and actual experience	(698,418)	-	(698,418)
Changes of assumptions	905,849	-	905,849
Contributions - employer	-	246,949	(246,949)
Net investment income	-	69,878 *	(69,878)
Benefit payments	<u>(218,311)</u>	<u>(218,311)</u>	<u>-</u>
Net Changes	<u>774,981</u>	<u>98,516</u>	<u>676,465</u>
Balance, End of Year	<u>\$ 12,525,331</u>	<u>\$ 368,534</u>	<u>\$ 12,156,797</u>

** Timing difference in net investment income*

Changes of assumptions reflect a change in the discount rate from 2.66% in 2020 to 2.18% in 2021.

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

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

1% Decrease <u>(1.18%)</u>	Current Discount Rate <u>(2.18%)</u>	1% Increase <u>(3.18%)</u>
\$14,044,137	\$12,156,797	\$10,269,457

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that is one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

1% Decrease <u>(7.0%)</u>	Current Healthcare Cost Trend Rates <u>(8.0%)</u>	1% Increase <u>(9.0%)</u>
\$9,706,352	\$12,156,797	\$15,159,307

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 an OPEB expense of \$1,268,613. At June 30, 2021, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	\$ 385,254	\$ (2,849,768)
Changes of assumptions	6,591,494	(960,160)
Net difference between projected and actual OPEB investment earnings	<u>-</u>	<u>(46,245)</u>
Total	\$ <u>6,976,748</u>	\$ <u>(3,856,173)</u>

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

<u>Year ended June 30:</u>	
2022	\$ 483,277
2023	483,564
2024	650,129
2025	731,550
2026	742,421
Thereafter	<u>29,634</u>
Total	\$ <u>3,120,575</u>

20. Change in Accounting Principle

During fiscal year 2021, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. This required moving certain items previously recorded through an agency fund to the newly established custodial fund that reports additions and deductions for these activities. No restatement of beginning net position/fund balance was required in either fund.

21. Commitments and Contingencies

Outstanding Legal Issues

On an ongoing basis, there are typically pending legal issues in which the Town is involved. The Town’s management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

Self-Insurance

The Town participates in the Hampshire County Group Insurance Trust to provide health insurance coverage to its employees. The Trust is funded by member assessments, which are calculated in a manner similar to commercial insurance premiums. As of June 30, 2021, the Trust contracted with an insurance carrier for excess liability coverage which takes effect when an individual claim exceeds \$275,000.

If the Trust were to experience a cash deficit, each member would be required to contribute additional funds. At June 30, 2021, according to the Trust’s audited financial statements, after accruing an estimated liability for incurred but unreported claims of approximately \$5.3 million, the Trust was in a surplus position of approximately \$33.7 million.

COVID-19

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. The disruption is expected to be temporary, but there is considerable uncertainty around the duration and scope. The extent of the impact of COVID-19 on the Town’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on residents served by the Town, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Town’s financial condition or results of operations remains uncertain.

Encumbrances

At year-end the Town’s General Fund has \$28,882 in encumbrances that will be honored in the next fiscal year.

22. Beginning Fund Balance Reclassification

The Town's major governmental funds for fiscal year 2021, as defined by GASB Statement No. 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Grant <u>Fund</u>	Nonmajor Governmental <u>Funds</u>
As previously reported	\$ -	\$ 1,583,558
Reclassify major funds in accordance with GASB 34	<u>621,109</u>	<u>(621,109)</u>
As reclassified	<u>\$ 621,109</u>	<u>\$ 962,449</u>

23. Subsequent Events

Management has evaluated subsequent events through November 14, 2022, which is the date the financial statements were available to be issued.

Debt

Subsequent to June 30, 2021, the Town has incurred the following additional debt:

<u>Purpose</u>	<u>Amount</u>	<u>Interest Rate(s) %</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>
Bond anticipation note - East Street bridge	\$ <u>1,600,000</u>	1.85%	06/16/22	06/16/23

24. New Pronouncements

The Governmental Accounting Standards Board has issued Statement No. 87, *Leases*, effective for the Town beginning with its fiscal year ending June 30, 2022. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements. Management has not evaluated the effect this standard will have on the financial statements.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

Required Supplementary Information
 Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual - General Fund
 For the Year Ended June 30, 2021
 (Unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Property taxes	\$ 12,922,065	\$ 12,922,065	\$ 13,004,048	\$ 81,983
Excises	989,800	989,800	981,005	(8,795)
Penalties, interest, and other taxes	158,000	158,000	204,914	46,914
Charges for services	112,109	112,109	112,109	-
Intergovernmental	3,397,979	3,397,979	3,377,642	(20,337)
Licenses and permits	205,000	205,000	248,961	43,961
Fines and forfeitures	5,200	5,200	4,221	(979)
Investment income	20,000	20,000	8,415	(11,585)
Miscellaneous	-	-	8,871	8,871
Total Revenues	17,810,153	17,810,153	17,950,186	140,033
Expenditures				
General government	675,617	675,617	632,808	42,809
Public safety	1,856,992	1,856,992	1,827,132	29,860
Education	11,409,664	11,409,664	11,336,054	73,610
Public works	916,029	916,029	874,911	41,118
Health and human services	130,433	130,433	124,763	5,670
Culture and recreation	158,491	158,491	155,251	3,240
Employee benefits	2,324,748	2,324,748	2,306,493	18,255
Debt service	232,670	300,735	298,678	2,057
Intergovernmental	196,492	196,492	211,942	(15,450)
Total Expenditures	17,901,136	17,969,201	17,768,032	201,169
Excess (Deficiency) of Revenues Over Expenditures	(90,983)	(159,048)	182,154	341,202
Other Financing Sources (Uses)				
Transfers in	129,114	197,179	197,179	-
Transfers out	(38,131)	(38,131)	(38,131)	-
Total Other Financing Sources (Uses)	90,983	159,048	159,048	-
Overall Budgetary Excess (Deficiency)	\$ -	\$ -	\$ 341,202	\$ 341,202

See Independent Auditor's Report and Notes to Required Supplementary Information.

**Notes to Required Supplementary Information
for General Fund Budget**

Budgetary Basis

The General Fund final appropriation appearing on the previous page represents the final amended budget after all reserve fund transfers and supplemental appropriations.

Budget/GAAP Reconciliation

The budgetary data for the General Fund is based upon accounting principles that differ from Generally Accepted Accounting Principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the General Fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison with budgetary data.

The following is a summary of adjustments made to the actual revenues, expenditures, and other financing sources (uses), to conform to the budgetary basis of accounting.

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
GAAP Basis	\$ 18,637,619	\$ 18,456,858	\$ 39,065
Remove the effect of adding the Town's Stabilization fund(s) per GASB 54	(9,708)	-	119,983
Reverse beginning of year appropriation carryforwards from expenditures	-	(39,983)	-
Add end of year appropriation carryforwards to expenditures	-	28,882	-
Reverse the effect on non-budgeted State contributions for teachers retirement	<u>(677,725)</u>	<u>(677,725)</u>	<u>-</u>
Budgetary Basis	<u>\$ 17,950,186</u>	<u>\$ 17,768,032</u>	<u>\$ 159,048</u>

TOWN OF SOUTHAMPTON, MASSACHUSETTS
 Required Supplementary Information
 Schedule of Proportionate Share of the Net Pension Liability
 (Unaudited)
 (Amounts express in thousands)

Hampshire County Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2021	December 31, 2020	3.37%	\$6,024	\$3,026	199.07%	69.20%
June 30, 2020	December 31, 2019	3.34%	\$6,675	\$2,069	322.62%	64.30%
June 30, 2019	December 31, 2018	3.30%	\$7,114	\$2,835	250.93%	58.91%
June 30, 2018	December 31, 2017	3.16%	\$5,877	\$2,486	236.40%	63.12%
June 30, 2017	December 31, 2016	3.12%	\$6,860	\$2,361	290.55%	55.61%
June 30, 2016	December 31, 2015	3.26%	\$6,778	\$2,766	245.05%	55.29%
June 30, 2015	December 31, 2014	3.28%	\$6,128	\$2,638	232.30%	58.07%

Massachusetts Teachers' Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town	Total Net Pension Liability Associated with the Town	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2021	June 30, 2020	0.044%	-	\$12,453	\$12,453	\$3,306	-	50.67%
June 30, 2020	June 30, 2019	0.042%	-	\$10,625	\$10,625	\$3,066	-	53.95%
June 30, 2019	June 30, 2018	0.044%	-	\$10,503	\$10,503	\$2,988	-	54.84%
June 30, 2018	June 30, 2017	0.049%	-	\$10,386	\$10,386	\$3,296	-	54.25%
June 30, 2017	June 30, 2016	0.046%	-	\$10,345	\$10,345	\$3,044	-	52.73%
June 30, 2016	June 30, 2015	0.045%	-	\$9,208	\$9,208	\$2,849	-	55.38%
June 30, 2015	June 30, 2014	0.048%	-	\$7,700	\$7,700	\$2,970	-	61.64%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditor's Report.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

Required Supplementary Information
Schedule of Pension Contributions

(Unaudited)

(Amounts expressed in thousands)

Hampshire County Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2021	December 31, 2020	\$881	\$881	-	\$3,026	29.11%
June 30, 2020	December 31, 2019	\$812	\$812	-	\$2,069	39.25%
June 30, 2019	December 31, 2018	\$745	\$745	-	\$2,835	26.28%
June 30, 2018	December 31, 2017	\$675	\$675	-	\$2,486	27.15%
June 30, 2017	December 31, 2016	\$615	\$615	-	\$2,361	26.05%
June 30, 2016	December 31, 2015	\$608	\$608	-	\$2,766	21.98%
June 30, 2015	December 31, 2014	\$573	\$573	-	\$2,638	21.72%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution Provided by Commonwealth</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2021	June 30, 2020	\$678	\$678	-	\$3,306	20.51%
June 30, 2020	June 30, 2019	\$608	\$608	-	\$3,066	19.83%
June 30, 2019	June 30, 2018	\$582	\$582	-	\$2,988	19.48%
June 30, 2018	June 30, 2017	\$561	\$561	-	\$3,296	17.02%
June 30, 2017	June 30, 2016	\$520	\$520	-	\$3,044	17.08%
June 30, 2016	June 30, 2015	\$459	\$459	-	\$2,849	16.11%
June 30, 2015	June 30, 2014	\$454	\$454	-	\$2,970	15.29%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditor's Report.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

Required Supplementary Information
Schedule of Changes in the Net OPEB Liability

(Unaudited)

(Amounts expressed in thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability					
Service cost	\$ 483	\$ 179	\$ 168	\$ 160	\$ 259
Interest	302	423	250	303	294
Difference between expected and actual experience	(698)	(3,151)	-	1,047	-
Change in assumptions	906	8,141	-	(2,608)	-
Benefit payments	<u>(218)</u>	<u>(231)</u>	<u>(235)</u>	<u>(225)</u>	<u>(217)</u>
Net Change in Total OPEB Liability	775	5,361	183	(1,323)	336
Total OPEB Liability - Beginning	<u>11,750</u>	<u>6,389</u>	<u>6,206</u>	<u>7,529</u>	<u>7,193</u>
Total OPEB Liability - Ending (a)	12,525	11,750	6,389	6,206	7,529
Plan Fiduciary Net Position *					
Contributions - employer	247	267	242	245	245
Net investment income	70	8	14	8	6
Benefit payments	<u>(218)</u>	<u>(231)</u>	<u>(212)</u>	<u>(203)</u>	<u>(195)</u>
Net Change in Plan Fiduciary Net Position	99	44	44	50	56
Plan Fiduciary Net Position - Beginning	<u>270</u>	<u>226</u>	<u>182</u>	<u>132</u>	<u>76</u>
Plan Fiduciary Net Position - Ending (b)	<u>369</u>	<u>270</u>	<u>226</u>	<u>182</u>	<u>\$ 132</u>
Net OPEB Liability - Ending (a-b)	<u>\$ 12,156</u>	<u>\$ 11,480</u>	<u>\$ 6,163</u>	<u>\$ 6,024</u>	<u>\$ 7,397</u>

* May reflect certain rounding and immaterial classification differences from page 22.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditor's Report.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

Required Supplementary Information
Schedules of Net OPEB Liability, Contributions, and Investment Returns

(Unaudited)

(Amounts expressed in thousands)

Schedule of Net OPEB Liability	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability	\$ 12,525	\$ 11,750	\$ 6,390	\$ 6,206	\$ 7,529
Plan fiduciary net position	<u>(369)</u>	<u>(270)</u>	<u>(226)</u>	<u>(182)</u>	<u>(132)</u>
Net OPEB Liability	<u>\$ 12,156</u>	<u>\$ 11,480</u>	<u>\$ 6,164</u>	<u>\$ 6,024</u>	<u>\$ 7,397</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 2.95%	 2.30%	 3.54%	 2.93%	 1.75%
 Schedule of Contributions	 <u>2021</u>	 <u>2020</u>	 <u>2019</u>	 <u>2018</u>	 <u>2017</u>
Actuarially determined contribution *	\$ 1,249	\$ 782	\$ 242	\$ 245	\$ 245
Contributions in relation to the actuarially determined contribution	<u>(247)</u>	<u>(267)</u>	<u>(242)</u>	<u>(245)</u>	<u>(245)</u>
Contribution deficiency (excess)	<u>\$ 1,002</u>	<u>\$ 515</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Schedule of Investment Returns	 <u>2021</u>	 <u>2020</u>	 <u>2019</u>	 <u>2018</u>	 <u>2017</u>
Annual money weighted rate of return, net of investment expense	25.80%	2.90%	6.60%	4.30%	unavailable

* Includes only the implicit subsidy, which is required to be funded by statute, and not an amount required to fully fund the plan over time.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditor's Report.



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

INDEPENDENT AUDITOR'S REPORT

To the Select Board
Town of Southamptton, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 14, 2022.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we did identify a deficiency in internal control that we consider to be a material weakness.

Merrimack, New Hampshire
Andover, Massachusetts
Greenfield, Massachusetts
Ellsworth, Maine



A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item 2021-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

Purpose of This Report

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

A handwritten signature in black ink that reads "Melanson". The signature is written in a cursive, flowing style.

Greenfield, Massachusetts
November 14, 2022

Financial Statement Findings

2021-001 Improve Internal Controls Over Cash and Receivables – Material Weakness

Performing timely cash and receivable reconciliations and reviewing all reconciling items are critical procedures to ensure the Town's cash and receivable balances are properly reported and controlled. When these reconciliations are not being performed, there is an increased risk that errors or irregularities could occur and go undetected. Cash and receivables were not reconciled at all during fiscal year 2021 and as of October 2022, cash and receivable balances have been reconciled through January 2022.

We recommend the Town implement measures to ensure that timely, accurate, and independent reconciliation of cash and receivable balances occurs monthly throughout the year. These reconciliations should be documented and signed by the preparer and a reviewer in order to improve documentation and oversight.

Town's Response:

The Treasurer/Collector and the Town Accountant are catching up with reconciliations. Challenges such as being understaffed, the delayed close of fiscal year 2021, and a new Town Accountant are temporary obstacles. When given the time to do so, variances and discrepancies are quickly addressed thanks to files and templates that have been developed to automate these processes. Going forward, cash and receivable reconciliations will occur consistently each month.