

TOWN OF BERKLEY, MASSACHUSETTS

***REPORT ON EXAMINATION OF
GOVERNMENTAL AND FIDUCIARY FUND FINANCIAL
STATEMENTS***

YEAR ENDED JUNE 30, 2021

TOWN OF BERKLEY, MASSACHUSETTS

REPORT ON EXAMINATION OF GOVERNMENTAL AND FIDUCIARY
FUND FINANCIAL STATEMENTS

JUNE 30, 2021

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Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Berkley, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental and fiduciary funds of the Town of Berkley, Massachusetts, as of and for the year ended June 30, 2021, as listed in the table of contents, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the 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 fund balances of the governmental funds and assets and liabilities of the fiduciary funds of the Town of Berkley, Massachusetts, as of June 30, 2021, and the respective changes in fund balances, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the governmental and fiduciary funds and do not purport to, and do not present fairly the financial position of the Town of Berkley, as of June 30, 2021, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. The Town has elected not to report certain required supplementary information. Our opinion is not modified with respect to these matters.

Supplementary Information

Management has presented the General Fund's budget to actual financial schedule as supplementary information. We have applied certain limited procedures to the 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 governmental funds financial statements, and other knowledge we obtained during our audit of the governmental funds financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated March 17, 2022, on our consideration of the Town of Berkley's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Berkley's internal control over financial reporting.

A handwritten signature in black ink, appearing to read "Bowers & Sullivan LLC", is written over a horizontal line.

March 17, 2022

Fund Financial Statements

GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2021

| | General | Other Special Revenue | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|-----------------------------|-----------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents..... | \$ 6,037,074 | \$ 1,029,036 | \$ 2,844,568 | \$ 9,910,678 |
| Receivables, net of uncollectibles: | | | | |
| Real estate and personal property taxes..... | 54,693 | - | - | 54,693 |
| Tax liens..... | 503,584 | - | - | 503,584 |
| Motor vehicle and other excise taxes..... | 122,504 | - | - | 122,504 |
| Intergovernmental - other..... | - | - | 46,559 | 46,559 |
| Special assessments..... | - | - | 1,134 | 1,134 |
| TOTAL ASSETS..... | \$ 6,717,855 | \$ 1,029,036 | \$ 2,892,261 | \$ 10,639,152 |
| LIABILITIES | | | | |
| Warrants payable..... | \$ 647,371 | \$ 58,386 | \$ 68,531 | \$ 774,288 |
| Accrued payroll..... | 132,291 | 1,380 | 5,065 | 138,736 |
| Other liabilities..... | 151,236 | 588,794 | - | 740,030 |
| Fees collected in advance..... | - | - | 6,010 | 6,010 |
| TOTAL LIABILITIES..... | 930,898 | 648,560 | 79,606 | 1,659,064 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue..... | 680,782 | - | 1,134 | 681,916 |
| FUND BALANCES | | | | |
| Nonspendable..... | - | - | 69,146 | 69,146 |
| Restricted..... | - | 380,476 | 2,828,223 | 3,208,699 |
| Assigned..... | 1,413,336 | - | - | 1,413,336 |
| Unassigned..... | 3,692,839 | - | (85,848) | 3,606,991 |
| TOTAL FUND BALANCES..... | 5,106,175 | 380,476 | 2,811,521 | 8,298,172 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES..... | \$ 6,717,855 | \$ 1,029,036 | \$ 2,892,261 | \$ 10,639,152 |

See notes to financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2021

| | General | Other Special Revenue | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|-----------------------------|-----------------------------------|--------------------------------|
| REVENUES: | | | | |
| Real estate and personal property taxes, net of tax refunds..... | \$ 13,795,539 | \$ - | \$ - | \$ 13,795,539 |
| Tax liens..... | 134,260 | - | - | 134,260 |
| Motor vehicle and other excise taxes..... | 1,080,353 | - | - | 1,080,353 |
| Charges for services..... | - | - | 1,411,814 | 1,411,814 |
| Penalties and interest on taxes..... | 169,721 | - | - | 169,721 |
| Licenses and permits..... | 168,975 | - | 109,364 | 278,339 |
| Teachers Retirement System Pension Contribution..... | 2,793,586 | - | - | 2,793,586 |
| Intergovernmental..... | 4,710,123 | - | 1,492,833 | 6,202,956 |
| Departmental and other..... | 338,583 | 124,954 | - | 463,537 |
| Special assessments..... | - | - | 35,422 | 35,422 |
| Contributions..... | - | - | 206,535 | 206,535 |
| Investment income..... | 10,842 | - | 34,225 | 45,067 |
| Miscellaneous..... | 9,155 | - | 6,433 | 15,588 |
| TOTAL REVENUES..... | 23,211,137 | 124,954 | 3,296,626 | 26,632,717 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government..... | 890,510 | 153,033 | 353,664 | 1,397,207 |
| Public safety..... | 2,643,783 | 15,683 | 342,242 | 3,001,708 |
| Education..... | 13,353,997 | - | 1,613,379 | 14,967,376 |
| Public works..... | 916,788 | - | 293,471 | 1,210,259 |
| Health and human services..... | 71,123 | - | 6,402 | 77,525 |
| Culture and recreation..... | 148,491 | - | 23,821 | 172,312 |
| Pension benefits..... | 622,818 | - | - | 622,818 |
| Teachers Retirement System Pension Expenditure..... | 2,793,586 | - | - | 2,793,586 |
| Employee benefits..... | 1,174,284 | - | - | 1,174,284 |
| State and county charges..... | 275,555 | - | - | 275,555 |
| Debt service: | | | | |
| Principal..... | 622,025 | - | - | 622,025 |
| Interest..... | 337,771 | - | - | 337,771 |
| TOTAL EXPENDITURES..... | 23,850,731 | 168,716 | 2,632,979 | 26,652,426 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES..... | (639,594) | (43,762) | 663,647 | (19,709) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in..... | 525,000 | - | 250,000 | 775,000 |
| Transfers out..... | (250,000) | - | (525,000) | (775,000) |
| TOTAL OTHER FINANCING SOURCES (USES)..... | 275,000 | - | (275,000) | - |
| NET CHANGE IN FUND BALANCES..... | (364,594) | (43,762) | 388,647 | (19,709) |
| FUND BALANCES AT BEGINNING OF YEAR (AS REVISED)..... | 5,470,769 | 424,238 | 2,422,874 | 8,317,881 |
| FUND BALANCES AT END OF YEAR..... | \$ 5,106,175 | \$ 380,476 | \$ 2,811,521 | \$ 8,298,172 |

See notes to financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2021

| | | Other Postemployment Benefit Trust Fund |
|---|----|--|
| ASSETS | | |
| Cash and cash equivalents..... | \$ | <u>793,594</u> |
| NET POSITION | | |
| Restricted for other postemployment benefits..... | \$ | <u><u>793,594</u></u> |

See notes to financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2021

| | Other Postemployment Benefit Trust Fund |
|--|--|
| <u>ADDITIONS:</u> | |
| Contributions: | |
| Employer contributions..... | \$ 510,000 |
| Net investment income: | |
| Investment income..... | <u>23,708</u> |
| NET INCREASE (DECREASE) IN NET POSITION..... | 533,708 |
| NET POSITION AT BEGINNING OF YEAR..... | <u>259,886</u> |
| NET POSITION AT END OF YEAR..... | <u>\$ 793,594</u> |

See notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Town has only presented the governmental and fiduciary fund based financial statements and has not presented the entity-wide statement of financial position and statement of activities.

A. Reporting Entity

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

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions, and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the financial statements to be misleading or incomplete. The Town has no component units that require inclusion in these basic financial statements.

B. Fund Financial Statements***Fund Financial Statements***

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

Major Fund Criteria

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

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

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation*Fund Financial Statements*

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

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

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

The following major governmental funds are reported:

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

The *other special revenue* fund is used to account for the activity of performance bonds, withholdings, student activities and public safety details.

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

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

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

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

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

The following fiduciary funds are reported:

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

D. Cash and Investments

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

E. Fair Value Measurements

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

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

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

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

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

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

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

F. Accounts Receivable

Fund Financial Statements

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

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessors for 100% of the estimated fair market value. Taxes

are due on August 1st, November 1st, February 1st, and May 1st and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the year of the levy.

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

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

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

Motor Vehicle Excise

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

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

Intergovernmental

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

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

G. Inventories

Fund Financial Statements

Inventories are recorded as expenditures at the time of purchase.

H. Capital Assets

Capital Assets have not been reported in these financial statements.

Governmental Fund Financial Statements

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

I. Deferred Outflows/Inflows of Resources

Government Fund Financial Statements

In addition to liabilities, the government funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents assets that have been recorded in the governmental fund financial statements but the revenue is not available and so will

not be recognized as an inflow of resources (revenue) until it becomes available. The Town has recorded unavailable revenue as deferred inflows of resources in the governmental funds balance sheet.

J. Interfund Receivables and Payables

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

Fund Financial Statements

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

K. Interfund Transfers

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

Fund Financial Statements

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

L. Fund Equity

Fund Financial Statements (Fund Balances)

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

The governmental fund balance classifications are as follows:

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

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

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

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

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

M. Long-term debt

Long-term debt has not been reported as liabilities but only disclosed in the notes. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

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

N. Pensions

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

O. Investment Income

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

P. Compensated Absences

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

Vested or accumulated vacation and sick leave have not been reported as liabilities.

Governmental Fund Financial Statements

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

Q. Use of Estimates

Government-Wide and Fund Financial Statements

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

R. Total Column*Fund Financial Statements*

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

NOTE 2 – CASH AND INVESTMENTS

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

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

The Town participates in the Plymouth County OPEB Trust (PCOT), which meets the criteria of an external investment pool. PCOT is administered by the Pension Agency Retirement Services (PARS). The fair value of the position in the PCOT is the same as the value of the PCOT shares.

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town has not formally adopted a policy for custodial credit risk of deposits. At year-end, the carrying amount of deposits totaled \$9,910,678 and the bank balance totaled \$10,079,545. Of the bank balance, \$1,251,400 was covered by Federal Depository Insurance, \$7,765,837 was covered by the Depositors Insurance Fund, and the remaining balance of \$1,062,308 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the government will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Town does not have an investment policy for custodial credit risk.

Investments and Credit Risk

The Town has not adopted a formal policy related to credit risk.

Interest Rate Risk

The government does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer.

Investments

At June 30, 2021 the Town had \$7,382,227 invested in money market funds and \$793,594 invested in PCOT.

Fair Value of Investments

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

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

U.S. government agencies, government sponsored enterprises, money market mutual funds, equity securities, equity mutual funds, mutual funds and certificates of deposit classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Corporate bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

As of June 30, 2021 the Town had \$793,594 invested in PCOT. PCOT investments are valued using the net asset value method. The fair values of the positions in each investment Pool are the same as the value of each Pool's shares. The Town does not have the ability to control any of the investment decisions relative to its funds in PCOT.

NOTE 3 – RECEIVABLES

At June 30, 2021, receivables for the governmental funds include \$128,390 of real estate and personal property taxes net of an allowance for uncollectibles of \$73,697; \$503,584 of tax liens; \$179,313 of motor vehicle excise taxes net of an allowance for uncollectibles of \$56,809; \$46,559 of federal school grants; and \$1,134 of special assessments.

Governmental funds report \$681,916 of deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

NOTE 4 – INTERFUND TRANSFERS

In 2021, the Town transferred \$525,000 from ambulance user fees to the general fund to purchase a new ambulance and balance the general fund's budget. Additionally, \$250,000 was transferred from the general fund to the expendable trust fund for post-retirement buy-outs.

NOTE 5 – SHORT-TERM FINANCING

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

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).

- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

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

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

NOTE 6 – LONG-TERM DEBT

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

Details related to the Town's outstanding indebtedness at June 30, 2021 follow.

Bonds and Notes Payable Schedule

| Project | Maturities Through | Original Loan Amount | Interest Rate (%) | Outstanding at June 30, 2021 |
|--------------------|-----------------------|----------------------------|-------------------------|------------------------------------|
| Multi-purpose..... | 2035 | \$ 4,250,000 | 2.0% - 3.0% | \$ <u>2,745,000</u> |

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

| Year | Principal | Interest | Total |
|---------------|------------------|-------------------|---------------------|
| 2022..... \$ | 260,000 | \$ 87,150 | \$ 347,150 |
| 2023..... | 160,000 | 79,350 | 239,350 |
| 2024..... | 165,000 | 74,550 | 239,550 |
| 2025..... | 170,000 | 69,600 | 239,600 |
| 2026..... | 175,000 | 64,500 | 239,500 |
| 2027..... | 180,000 | 59,250 | 239,250 |
| 2028..... | 185,000 | 53,850 | 238,850 |
| 2029..... | 190,000 | 48,300 | 238,300 |
| 2030..... | 195,000 | 42,600 | 237,600 |
| 2031..... | 200,000 | 36,262 | 236,262 |
| 2032..... | 205,000 | 29,762 | 234,762 |
| 2033..... | 215,000 | 23,100 | 238,100 |
| 2034..... | 220,000 | 15,576 | 235,576 |
| 2035..... | 225,000 | 7,876 | 232,876 |
| Total..... \$ | <u>2,745,000</u> | <u>\$ 691,726</u> | <u>\$ 3,436,726</u> |

NOTE 7 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

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

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

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

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

The Town has classified appropriations carried forward in the general fund as assigned; nonmajor funds balances as committed; and the principal portion of permanent funds as restricted.

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

In accordance with Statement No. 54, the Town's \$727,563 stabilization fund has been reported in the general fund as unassigned.

As of June 30, 2021, the governmental fund balances consisted of the following:

| | General | Other Special Revenue | Nonmajor Governmental Funds | Total Governmental Funds |
|---|--------------|-----------------------------|-----------------------------------|--------------------------------|
| Fund Balances: | | | | |
| Nonspendable: | | | | |
| Permanent fund principal..... | \$ - | \$ - | \$ 69,707 | \$ 69,707 |
| Restricted for: | | | | |
| Other Special Revenue..... | - | 380,476 | - | 380,476 |
| Receipts Reserved for Appropriations..... | - | - | 936,274 | 936,274 |
| School Lunch..... | - | - | 82,062 | 82,062 |
| School Grants..... | - | - | 85,609 | 85,609 |
| Revolving Funds..... | - | - | 803,964 | 803,964 |
| State Grants..... | - | - | 194,596 | 194,596 |
| Title V..... | - | - | 56,461 | 56,461 |
| Gifts and Donations..... | - | - | 270,668 | 270,668 |
| Public Buildings..... | - | - | 37,192 | 37,192 |
| Middle School..... | - | - | 46,900 | 46,900 |
| Expendable Trust Funds..... | - | - | 313,936 | 313,936 |
| Assigned to: | | | | |
| General government..... | 116,148 | - | - | 116,148 |
| Public safety..... | 416,192 | - | - | 416,192 |
| Education..... | 795,825 | - | - | 795,825 |
| Public works..... | 64,993 | - | - | 64,993 |
| Culture and recreation..... | 16,341 | - | - | 16,341 |
| Employee benefits..... | 3,837 | - | - | 3,837 |
| Unassigned..... | 3,692,839 | - | (85,848) | 3,606,991 |
| Total Fund Balances..... | \$ 5,106,175 | \$ 380,476 | \$ 2,811,521 | \$ 8,298,172 |

NOTE 8 – PENSION PLAN

Plan Descriptions

The Town is a member of the Bristol County Retirement System ("BCRS"), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 39 member units. The system is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System issues a publicly available audited financial report. That report may be obtained by contacting the System located at 645 County Street, Taunton, Massachusetts 02780 or by visiting www.bristolcountyretirement.org or www.mass.gov/perac.

The Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the 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's reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2020. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$2,793,586 is reported in the general fund as intergovernmental revenue and pension expense in the current year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$22,617,503 as of the measurement date.

Benefits Provided

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

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

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

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the BCRS a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The Town's proportionate share of the required contribution was \$612,493 and the actual contribution for the year ended December 31, 2020 was \$622,818 and 16.04% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

Pension Liabilities

At June 30, 2021, the Town's liability of \$6,159,513 is its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. The Town's proportion of the net

pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At December 31, 2020, the Town's proportion was 1.41%, which is the same as its proportion measured at December 31, 2019.

Pension Expense

For the year ended June 30, 2021, the Town's actuarial based pension expense was \$1,027,574. At June 30, 2021, the Town portion of deferred outflows of resources related to pensions of \$1,650,778 and deferred inflows of \$573,441 was reported by the BCRS. The detail is provided in the following schedule.

| Deferred Category | Deferred Outflows of Resources | Deferred Inflows of Resources | Total |
|---|--------------------------------------|-------------------------------------|--------------|
| Differences between expected and actual experience..... | \$ 723,893 | \$ - | \$ 723,893 |
| Difference between projected and actual earnings, net..... | - | (533,510) | (533,510) |
| Changes in assumptions..... | 895,824 | - | 895,824 |
| Changes in proportion and proportionate share of contributions... | 31,061 | (39,931) | (8,870) |
| Total deferred outflows/(inflows) of resources..... | \$ 1,650,778 | \$ (573,441) | \$ 1,077,337 |

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

Year ended June 30:

| | |
|---|--------------|
| 2022..... | \$ 382,273 |
| 2023..... | 432,050 |
| 2024..... | 213,599 |
| 2025..... | 52,201 |
| 2026..... | (2,786) |
| Total deferred outflows/(inflows) of resources..... | \$ 1,077,337 |

Actuarial Assumptions

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

| | |
|---------------------------------|------------------------------|
| Valuation date..... | January 1, 2020 |
| Actuarial cost method..... | Individual entry age normal. |
| Investment rate of return..... | 7.50% |
| Projected salary increases..... | 3.00% |

| | |
|---------------------------------|--|
| Cost of living adjustments..... | 3.00% of the first \$18,000 of benefits. |
| Mortality..... | RP-2014 table adjusted to 2006 and projected generationally with MP-2019 (gender distinct). During employment, the healthy employee mortality table is used. Post-employment, the healthy annuitant table is used. |

For disabled retirees, mortality follows same table as non-disabled retirees, set forward two years. Death is assumed to be due to same cause as disability 40% of the time.

Investment Policy

The pension plan does not have a formal investment policy. The Retirement Board is in the process of formalizing an investment policy. The pension plan's informal policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation less investment expense and a risk factor. The best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2020, are summarized in the following table:

| Asset Class | Long-Term Expected Asset Allocation | Long-Term Expected Real Rate of Return |
|------------------------------------|--|---|
| Domestic equities..... | 22.00% | 4.9% |
| International equities..... | 11.00% | 5.40% |
| Emerging markets equities..... | 11.00% | 6.40% |
| Global REITs..... | 2.00% | 3.70% |
| Core fixed income..... | 5.00% | 0.30% |
| High yield fixed income..... | 3.00% | 2.60% |
| Emerging markets fixed income..... | 4.00% | 2.60% |
| Global fixed income..... | 3.00% | 0.20% |
| Private equity..... | 12.00% | 7.90% |
| Hedge funds..... | 4.00% | 2.30% |
| Real estate..... | 11.00% | 2.80% |
| Timber..... | 3.00% | 3.10% |
| Farmland..... | 3.00% | 4.80% |
| Infrastructure..... | 6.00% | 4.80% |
| Total..... | 100.00% | |

Rate of Return

For the year ended December 31, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 11.10%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The discount rate used to measure the total pension liability was 7.50% which remained the same as the prior year's discount rate. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net position liability, calculated using the discount rate of 7.50%, as well as what the net position liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

| | 1% Decrease (6.50%) | Current Discount (7.50%) | 1% Increase (8.50%) |
|--|------------------------|--------------------------------|------------------------|
| The Town's proportionate share of the net pension liability..... \$ | <u>8,168,550</u> | <u>\$ 6,159,513</u> | <u>\$ 4,464,706</u> |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Bristol County Retirement System financial report.

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS*Plan Description*

The Town of Berkley administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan") and participates in the Somerset/Berkley Health Care Group. The plan provides lifetime healthcare insurance and life insurance for eligible retirees and their spouses through a single-employer defined Other Postemployment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Somerset/Berkley Health Plan Group issues a publicly available financial report however the Retiree Health Plan does not issue a separate report.

Funding Policy

Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement.

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

The Town pre-funded future OPEB liabilities by depositing funds into an OPEB trust fund. The Fund is reported within the Fiduciary Funds financial statements. As of June 30, 2021, the balance of this fund totaled \$793,594. The Town has not adopted a formal long-term policy of pre-funding future OPEB liabilities.

Measurement Date – The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2018.

Employees Covered by Benefit Terms

The following table represents the Plan's membership at June 30, 2020:

| | |
|--|-------------------|
| Active members..... | 166 |
| Inactive members currently receiving benefits..... | <u>53</u> |
| Total..... | <u><u>219</u></u> |

Components of OPEB Liability

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

| | | |
|--|----|--------------------------|
| Total OPEB liability..... | \$ | 20,450,575 |
| Less: OPEB plan's fiduciary net position..... | | <u>(793,594)</u> |
| Net OPEB liability..... | \$ | <u><u>19,656,981</u></u> |
| The OPEB plan's fiduciary net position | | |
| as a percentage of the total OPEB liability..... | | 3.88% |

Significant Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, to be in accordance with GASB Statement #74 and #75:

| | |
|---------------------------------|--|
| Valuation date..... | July 1, 2018 |
| Actuarial cost method..... | Entry age normal as a level percentage of payroll. |
| Discount rate..... | 2.44%. |
| Healthcare cost trend rate..... | 7.00% in year 1 trend with a 0.25% grading each year until 2029 where the ultimate trend is 4.50%. |
| COVID-19 pandemic..... | No special adjustments or considerations were made to valuation results due to the COVID-19 pandemic. The impact of COVID-19 will be reviewed in future years including the potential impact on selected assumptions (e.g., mortality, morbidity, etc.). |

| | |
|------------------------------------|--|
| Bond buyer 20-bond GO..... | 2.21%. |
| S&P municipal bond 20 year HG..... | 2.66%. |
| Fidelity GO AA - 20 yrs..... | 2.45%. |
| Assets..... | Assets were based on reporting for the Plymouth County OPEB trust and do not reflect prior reporting from the prior year audit report. Assets are reflected as reported by the Town and have not been audited or reviewed. No contributions or disbursements were assumed for fiscal year July 1, 2019 to June 30, 2020. |

Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 9.12%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on OPEB investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.44% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments to current plan members. Therefore, the long-term expected rate of return on the OPEB plan assets was applied to all periods of projected future benefit payments as of June 30, 2021.

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

The following table presents the Plan's net OPEB liability, calculated using the discount rate of 2.44%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.44%) or 1-percentage-point higher (3.44%) than the current rate.

| | 1% Decrease (1.44%) | Current Discount Rate (2.44%) | 1% Increase (3.44%) |
|-------------------------|------------------------|-------------------------------------|------------------------|
| Net OPEB liability..... | \$ 25,357,505 | \$ 19,656,981 | \$ 15,623,368 |

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

The following table presents the net other postemployment benefit liability, calculated using the healthcare trend rate if it was 1-percentage-point lower or 1-percentage-point higher than the current rate.

| | 1% Decrease | Current Trend | 1% Increase |
|-------------------------|---------------|---------------|---------------|
| Net OPEB liability..... | \$ 15,436,627 | \$ 19,656,981 | \$ 25,654,326 |

Summary of Significant Accounting Policies

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

Changes in the Net OPEB Liability

| | Increase (Decrease) | | |
|--------------------------------|--------------------------------|--|------------------------------------|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
| Balances at June 30, 2020..... | \$ 19,983,212 | \$ 259,886 | \$ 19,723,326 |
| Changes for the year: | | | |
| Service cost..... | 298,234 | - | 298,234 |
| Interest..... | 483,752 | - | 483,752 |
| Benefit payments..... | (314,623) | (314,623) | - |
| Contributions - employer..... | - | 824,623 | (824,623) |
| Net investment income..... | - | 23,708 | (23,708) |
| Net change..... | 467,363 | 533,708 | (66,345) |
| Balances at June 30, 2021..... | \$ 20,450,575 | \$ 793,594 | \$ 19,656,981 |

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

For the year ended June 30, 2020, the GASB Statement #75 measurement date, the Town recognized OPEB expense of \$1,287,691. At June 30, 2020, deferred outflows of resources related to OPEB were \$4,496,782.

NOTE 10 – RISK FINANCING

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

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

NOTE 11 – CONTINGENCIES

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

NOTE 12 – COVID-19

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

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

On March 27, 2020 the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment from these funds be used only to cover expenses that; are necessary expenditures incurred due to the public health emergency with respect COVID-19; were not accounted for in the budget most recently approved as of March 27, 2020; and were incurred during the period that begins on March 1, 2020, and ends on December 31, 2021. The Commonwealth and communities throughout the Commonwealth were awarded a portion of this federal funding. In addition to funding from the CARES Act, there are several other federal and state grants available.

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

NOTE 13 – REVISION OF NET POSITION PREVIOUSLY REPORTED

Beginning net position of the governmental activities has been revised to reflect the implementation of GASB Statement #84, Fiduciary Activities. To reflect this change, the Town is reporting certain funds which had previously been reported as Agency Funds as Governmental Funds. This has resulted in the revision of the June 30, 2020, balances as follows:

| | 6/30/2020 Previously Reported Balances | Implementation of GASB #84 | 6/30/2020 Revised Balances |
|---|---|-------------------------------|----------------------------------|
| <i>Fund-Based Financial Statements</i> | | | |
| Other special revenue..... | \$ - | \$ 424,238 | \$ 424,238 |

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 17, 2022, which is the date the financial statements were available to be issued.

Supplementary Information

General Fund Budgetary Comparison Schedule

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

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

YEAR ENDED JUNE 30, 2021

| | Budgeted Amounts | | Actual | Amounts | Variance |
|---|------------------|---------------|---------------|-----------------|-------------|
| | Original | Final | Budgetary | Carried Forward | to Final |
| | Budget | Budget | Amounts | To Next Year | Budget |
| REVENUES: | | | | | |
| Real estate and personal property taxes, net of tax refunds..... | \$ 13,841,849 | \$ 13,841,849 | \$ 13,795,539 | \$ - | \$ (46,310) |
| Tax liens..... | - | - | 134,260 | - | 134,260 |
| Motor vehicle and other excise taxes..... | 745,700 | 745,700 | 1,080,353 | - | 334,653 |
| Penalties and interest on taxes..... | 45,000 | 45,000 | 169,721 | - | 124,721 |
| Licenses and permits..... | 95,000 | 95,000 | 168,975 | - | 73,975 |
| Intergovernmental..... | 4,752,983 | 4,752,983 | 4,710,123 | - | (42,860) |
| Departmental and other..... | 267,785 | 267,785 | 338,583 | - | 70,798 |
| Investment income..... | 10,386 | 10,386 | 8,612 | - | (1,774) |
| Miscellaneous..... | - | - | 9,155 | - | 9,155 |
| TOTAL REVENUES..... | 19,758,703 | 19,758,703 | 20,415,321 | - | 656,618 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government..... | 1,165,142 | 1,165,142 | 890,510 | 116,148 | 158,484 |
| Public safety..... | 3,163,505 | 3,163,505 | 2,643,783 | 416,192 | 103,530 |
| Education..... | 14,348,668 | 14,348,668 | 13,353,997 | 795,825 | 198,846 |
| Public works..... | 1,007,413 | 1,007,413 | 916,788 | 64,993 | 25,632 |
| Health and human services..... | 89,909 | 89,909 | 71,123 | - | 18,786 |
| Culture and recreation..... | 182,595 | 182,595 | 148,491 | 16,341 | 17,763 |
| Pension benefits..... | 622,818 | 622,818 | 622,818 | - | - |
| Employee benefits..... | 736,519 | 736,519 | 664,284 | 3,837 | 68,398 |
| State and county charges..... | 271,346 | 271,346 | 275,555 | - | (4,209) |
| Debt service: | | | | | |
| Principal..... | 622,025 | 622,025 | 622,025 | - | - |
| Interest..... | 337,771 | 337,771 | 337,771 | - | - |
| TOTAL EXPENDITURES..... | 22,547,711 | 22,547,711 | 20,547,145 | 1,413,336 | 587,230 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES..... | (2,789,008) | (2,789,008) | (131,824) | (1,413,336) | 1,243,848 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Use of prior year reserves..... | 1,288,635 | 1,288,635 | - | - | (1,288,635) |
| Transfers in..... | 3,209,465 | 3,209,465 | 3,209,465 | - | - |
| Transfers out..... | (2,763,629) | (3,523,629) | (3,523,629) | - | - |
| TOTAL OTHER FINANCING SOURCES (USES)..... | 1,734,471 | 974,471 | (314,164) | - | (1,288,635) |
| NET CHANGE IN FUND BALANCE..... | (1,054,537) | (1,814,537) | (445,988) | (1,413,336) | (44,787) |
| BUDGETARY FUND BALANCE, Beginning of year..... | 4,745,435 | 4,745,435 | 4,745,435 | - | - |
| BUDGETARY FUND BALANCE, End of year..... | \$ 3,690,898 | \$ 2,930,898 | \$ 4,299,447 | \$ (1,413,336) | \$ (44,787) |

See notes to required supplementary information.

NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITYBudgetary Information

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

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

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

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

Budgetary - GAAP Reconciliation

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

| | | |
|--|----|------------------|
| Net change in fund balance - budgetary basis..... | \$ | (445,987) |
| <u>Perspective differences:</u> | | |
| Activity of the stabilization fund recorded in the general fund for GAAP..... | | 81,393 |
| <u>Basis of accounting differences:</u> | | |
| Recognition of revenue for on-behalf payments..... | | 2,793,586 |
| Recognition of expenditures for on-behalf payments..... | | (2,793,586) |
| Net change in fund balance - GAAP basis..... | \$ | <u>(364,594)</u> |