

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF HATFIELD, MASSACHUSETTS

Report on Examination of the Basic Financial Statements and
Additional Information

Year Ended June 30, 2021



TOWN OF HATFIELD, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Select Board
Town of Hatfield, 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 Hatfield, 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

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. 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 those 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 purposes 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all other 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 as of June 30, 2021 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedules listed under the required supplementary information section in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Roselli, Clark & Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
January 4, 2022

Management Discussion and Analysis

As the management of the Town of Hatfield, Massachusetts (The “Town”), we offer readers of the Town’s financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information found in this report.

Financial Highlights

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by over \$11.0 million (*total net position*). Almost \$6.4 million represented net position of governmental activities and nearly \$4.7 million represented net position of the business-type activities.
- The government’s total net position decreased by over \$0.3 million. The governmental activities decreased net position by approximately \$1.4 million, while the business-type activities increased about \$1.1 million.
- The Town’s Unassigned Fund Balance reported in the General Fund was almost \$1.7 million (14.6% of General Fund expenditures). Total Fund Balance in the General Fund was approximately \$2.4 million (21.0% of General Fund expenditures). Furthermore, the Town reported a restricted fund balance of over \$1.8 million in the Community Preservation Fund; a restricted fund balance of about \$1.2 million in the School Choice Fund; and reported total fund balances of almost \$1.3 million in the Nonmajor Governmental Funds.
- Total debt was reduced to about \$1.1 million due to regular scheduled maturities. There were no issuances in the current year. Approximately \$0.2 million relates to governmental activities with the remainder related to business-type activities.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town’s basic financial statements. The Town’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, education, public works, health and human services, culture and recreation, fringe benefits, and debt service. The business-type activities of the Town consist completely of the sewer and water activities.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds distinguish fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts are reported in the following classifications:

- Nonspendable — amounts that cannot be spent because they are either (a) not in spendable form (i.e., inventory or prepaid expenses) or (b) legally or contractually required to be maintained intact.
- Restricted—amounts constrained by external parties, constitutional provision, or enabling legislation.
- Committed—amounts constrained by a government using its highest level of decision-making authority.
- Assigned—amounts a government intends to use for a particular purpose.
- Unassigned—amounts that are not constrained at all will be reported in the general fund.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliations are provided in the basic financial statements to help the reader understand the differences, as indicated within the table of contents.

The Town maintains a number of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, community preservation fund, school choice fund which are all considered major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. This schedule has been prepared as required supplementary information and can be found after the footnotes to the financial statements.

Proprietary Funds- The Town maintains two types of proprietary funds. *Enterprise funds* are used to report the same function presented as *business-type activities* in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer and water enterprise funds activities.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town maintains fiduciary funds for scholarships and citizens in need benefits.

Notes to the Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are included in this report after the financial statements.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town’s proportionate share of net pension liability, contributions to pension plan, information regarding the Town’s special funding situation for teacher contributions to pensions and funding, and contribution progress of the Town’s other postemployment benefits to its employees as well as the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – General Fund.

Government-wide Financial Analysis

The following tables represent the condensed statement of net position and statement of changes in net position for fiscal years ended June 30, 2021, and 2020:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2021	2020	June 30,		2021	2020
			2021	2020		
<u>Assets</u>						
Current and other assets	\$ 8,284,398	\$ 8,165,559	\$ 1,268,742	\$ 1,380,936	\$ 9,553,140	\$ 9,546,495
Capital assets, net	15,803,927	15,665,219	8,899,234	8,096,464	24,703,161	23,761,683
Total assets	24,088,325	23,830,778	10,167,976	9,477,400	34,256,301	33,308,178
<u>Deferred Outflows of Resources</u>						
	1,552,572	907,666	198,161	115,847	1,750,733	1,023,513
<u>Liabilities</u>						
Long-term liabilities	14,097,743	12,938,907	2,512,517	2,503,195	16,610,260	15,442,102
Other liabilities	2,902,894	2,803,412	2,887,324	3,340,259	5,790,218	6,143,671
Total liabilities	17,000,637	15,742,319	5,399,841	5,843,454	22,400,478	21,585,773
<u>Deferred Inflows of Resources</u>						
	2,287,235	1,275,071	291,928	162,741	2,579,163	1,437,812
<u>Net Position</u>						
Net Investment Capital Assets	13,215,680	13,608,546	5,398,298	3,947,389	18,613,978	17,555,935
Restricted	4,436,836	4,000,669	-	-	4,436,836	4,000,669
Unrestricted	(11,299,491)	(9,888,161)	(723,930)	(360,337)	(12,023,421)	(10,248,498)
Total Net Position	\$ 6,353,025	\$ 7,721,054	\$ 4,674,368	\$ 3,587,052	\$ 11,027,393	\$ 11,308,106

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by approximately \$11.0 million (*total net position*). This was a decrease of over \$0.3 million over the preceding year. A decrease of approximately \$1.4

million in governmental activities and an increase of nearly \$1.1 million in business-type activities contributed to this amount.

By far the largest portion (over \$18.6 million) of the Town's net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (almost \$4.4 million) represents resources that are subject to external restrictions on how they may be used. Unrestricted net position is reported as a deficit of over \$12.0 million due primarily to the recognition of net pension and net other postemployment benefits liabilities. This deficit is expected to increase until more aggressive funding schedules are adopted.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	June 30,					
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 667,225	\$ 541,134	\$ 1,097,795	\$ 1,172,628	\$ 1,765,020	\$ 1,713,762
Operating grants and contributions	4,289,904	3,860,405	410,478	200,000	4,700,382	4,060,405
Capital grants and contributions	398,978	615,816	-	-	398,978	615,816
General revenues:						
Property taxes and tax liens	8,493,209	7,874,829	-	-	8,493,209	7,874,829
Unrestricted grants and contributions	350,489	458,698	-	-	350,489	458,698
Other	786,010	777,845	-	36	786,010	777,881
Total Revenues	14,985,815	14,128,727	1,508,273	1,372,664	16,494,088	15,501,391
<u>Expenses</u>						
General government	1,932,009	1,321,050	-	-	1,932,009	1,321,050
Public safety	1,068,051	948,969	-	-	1,068,051	948,969
Education	10,387,694	9,812,854	-	-	10,387,694	9,812,854
Public works	1,432,282	1,452,198	-	-	1,432,282	1,452,198
Health and human services	239,978	271,072	-	-	239,978	271,072
Culture and recreation	275,766	273,442	-	-	275,766	273,442
Debt service	30,794	16,376	-	-	30,794	16,376
Water	-	-	608,783	659,071	608,783	659,071
Sewer	-	-	833,591	610,114	833,591	610,114
Total Expenses	15,366,574	14,095,961	1,442,374	1,269,185	16,808,948	15,365,146
Change in net position before transfers	(380,759)	32,766	65,899	103,479	(314,860)	136,245
Transfers	(1,021,417)	(97,000)	1,021,417	97,000	-	-
Change in net position	(1,402,176)	(64,234)	1,087,316	200,479	(314,860)	136,245
Net position, beginning of year	7,721,054	7,785,288	3,587,052	3,386,573	11,308,106	11,171,861
Restatement for agency fund reporting	34,147	-	-	-	34,147	-
Net Position, beginning of year.	7,755,201	7,785,288	3,587,052	3,386,573	11,342,253	11,171,861
Net position, end of year	<u>\$ 6,353,025</u>	<u>\$ 7,721,054</u>	<u>\$ 4,674,368</u>	<u>\$ 3,587,052</u>	<u>\$ 11,027,393</u>	<u>\$ 11,308,106</u>

Government Activities - The Town relies to a significant extent on property taxes, which, during 2021, made up approximately 56.7% of total revenues, which is consistent with the prior year. Property taxes revenue increased approximately \$0.6 million (7.9%). This greater than the 2 ½% increase in committed amounts allowed under Massachusetts General Laws. This was primarily due to a minor amount of new growth and 2021 collections included 2020 tax payments that were delayed at 2020 year-end due to the Governor's shelter in place requirements imposed during the height of the pandemic.

Operating grants and contributions which represented 28.6% of total revenues, increased slightly due to a minor increase in grant activity.

No other revenue types were significant in amount or fluctuated greatly over the prior year.

Major expenses were for education which continues to be an area that the Town devotes significant resources. Education represented 69.6% of total expenses, consistent with the prior year. In amount, it increased slightly over prior year due primarily to cost of living increases. No other expense types were significant in amount or fluctuated greatly over the prior year.

Business-type Activities - Major revenue sources consist of revenue from users of the Town's sewer and water systems. The decrease is due to an increase in consumption in the prior year due to the Governor imposed shelter in place requirements. These were more normalized in the current year. An operating grant was received for a sewer project which contributed to the increase in grant revenue. Both funds also received increased subsidies from the general fund. Sewer and Water expenses represented 100% of total business-type expenses and were also consistent with the prior year.

Government Fund Financial Analysis

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

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

As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance of about \$5.1 million. This represents an increase of approximately \$0.2 million over the previous year as for the most part, revenues were consistent with expenditures in all funds.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was nearly \$1.7 million, while total fund balance was nearly \$2.4 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 14.6% of total general fund expenditures, while total fund balance represents approximately 21.0% of that same amount.

Furthermore, the Town reported a restricted fund balance of almost \$1.8 million in the Community Preservation Act Fund; and a restricted fund balance nearly \$1.2 million in the School Choice Major Fund. The Town's Capital Project fund had a deficit balance of \$1.6 million due to short term borrowings subsidizing construction costs. These are expected to be refinanced as permanent financing in future years.

Proprietary Funds the Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the year, net position of the sewer and water funds in total was approximately \$4.7 million.

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

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were not significant. A budget to actual schedule for the general fund has been provided as required supplementary information.

Capital Asset and Debt Administration

Capital Assets The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2021 amounts to about \$24.7 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment and reflects an increase of approximately \$0.9 million as net additions exceeded annual depreciation. Major capital additions included roadway improvements, vehicles and sewer infrastructure projects. Additional information on the Town capital assets can be found in Note II section C. of this report.

Long-term Debt Total debt was reduced to about \$1.1 million due to regular scheduled maturities. There were no issuances in the current year. Approximately \$0.2 million relates to governmental activities with the remainder related to business-type activities.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5.0% percent of its total assessed valuation. The current debt limitation for the Town is approximately \$30.9 million, which is significantly in excess of the Town's outstanding general obligation debt.

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

Economic Factors and Next Year's Budgets and Rates

- The Town's real estate tax base is made up predominantly of residential taxes, which comprise nearly 76.3% of the Town's real estate tax base. The Town also relies to a lesser extent on its commercial and industrial real estate tax base, which in aggregate comprise approximately 19.7% of the Town's real estate tax base. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as proposition 2 ½, limits the Town's ability to increase taxes in any one year by more than 2 ½% of the previous year tax levy.
- The Town's housing market is stable and while housing prices have not maintained the same level of pace as other areas of Massachusetts, they remain fairly robust.
- Inflationary trends in the region are consistent with state and national indices.

The above items were considered when the Town developed its budget for fiscal year 2021.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Town Administrator, Town Hall 59 Main Street, Hatfield, Massachusetts 01038-9702.

TOWN OF HATFIELD, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 7,583,070	\$ 595,442	\$ 8,178,512
Receivables, net:			
Property taxes	100,810	-	100,810
User fees	-	425,722	425,722
Departmental and other	417,382	-	417,382
Intergovernmental	74,499	247,578	322,077
Internal balances	-	-	-
Due from other funds	108,637	-	108,637
Land	586,870	310,600	897,470
Construction in-process	166,354	3,892,918	4,059,272
Capital assets, net of accumulated depreciation	15,050,703	4,695,716	19,746,419
Total Assets	24,088,325	10,167,976	34,256,301
Deferred Outflows of Resources			
Related to net OPEB liability	876,920	111,925	988,845
Related to net pension liability	675,652	86,236	761,888
Total Deferred Outflows of Resources	1,552,572	198,161	1,750,733
Liabilities			
Warrants and accounts payable	180,162	29,191	209,353
Accrued payroll and withholdings	559,542	12,059	571,601
Accrued interest	-	26,788	26,788
Retainage payable	-	-	-
Unearned revenue	170,139	-	170,139
Other liabilities	60,981	-	60,981
Due to other funds	-	108,637	108,637
Bond anticipation notes payable	1,664,500	2,587,000	4,251,500
Noncurrent liabilities:			
Due within one year	267,570	123,649	391,219
Due in more than one year	14,097,743	2,512,517	16,610,260
Total Liabilities	17,000,637	5,399,841	22,400,478
Deferred Inflows of Resources			
Related to net OPEB liability	1,280,240	163,401	1,443,641
Related to net pension liability	1,006,995	128,527	1,135,522
Total Deferred Inflows of Resources	2,287,235	291,928	2,579,163
Net Position			
Net investment in capital assets	13,215,680	5,398,298	18,613,978
Restricted for:			
Nonexpendable permanent funds	111,012	-	111,012
Community preservation	1,832,333	-	1,832,333
Federal and State grants	1,318,053	-	1,318,053
Other purposes	1,175,438	-	1,175,438
Unrestricted	(11,299,491)	(723,930)	(12,023,421)
Total Net Position	\$ 6,353,025	\$ 4,674,368	\$ 11,027,393

See accompanying notes to basic financial statements.

TOWN OF HATFIELD, MASSACHUSETTS

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Governmental Activities:</u>							
General government	\$ 1,932,009	\$ 152,657	\$ 191,345	\$ 169,578	\$ (1,418,429)		\$ (1,418,429)
Public safety	1,068,051	336,610	18,355	-	(713,086)		(713,086)
Education	10,387,694	50,927	3,943,840	-	(6,392,927)		(6,392,927)
Public works	1,432,282	70,377	-	229,400	(1,132,505)		(1,132,505)
Health and human services	239,978	9,235	87,728	-	(143,015)		(143,015)
Culture and recreation	275,766	47,419	48,636	-	(179,711)		(179,711)
Interest expense	30,794	-	-	-	(30,794)		(30,794)
Total governmental activities	15,366,574	667,225	4,289,904	398,978	(10,010,467)		(10,010,467)
<u>Business-Type Activities:</u>							
Water	608,783	566,358	-	-		\$ (42,425)	(42,425)
Sewer	833,591	531,437	410,478	-		108,324	108,324
Total business-type activities	1,442,374	1,097,795	410,478	-		65,899	65,899
Total Primary Government	\$ 16,808,948	\$ 1,765,020	\$ 4,700,382	\$ 398,978	(10,010,467)	65,899	(9,944,568)
<u>General Revenues:</u>							
					8,493,209	-	8,493,209
					638,769	-	638,769
					350,489	-	350,489
					138,143	-	138,143
					9,098	-	9,098
					(1,021,417)	1,021,417	-
					8,608,291	1,021,417	9,629,708
					(1,402,176)	1,087,316	(314,860)
					7,755,201	3,587,052	11,342,253
					\$ 6,353,025	\$ 4,674,368	\$ 11,027,393

See accompanying notes to basic financial statements.

TOWN OF HATFIELD, MASSACHUSETTS

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2021

	General Fund	Community Preservation Fund	School Choice Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 2,960,528	\$ 1,826,255	\$ 1,201,325	\$ 120,889	\$ 1,474,073	\$ 7,583,070
Receivables, net of allowance for uncollectibles:						
Real and personal property	98,732	-	-	-	-	98,732
Community preservation	-	6,088	-	-	-	6,088
Excise taxes and other	390,450	-	-	-	22,922	413,372
Intergovernmental	29,525	-	-	-	44,974	74,499
Due from other funds	108,637	-	-	-	-	108,637
Total Assets	<u>3,587,872</u>	<u>1,832,343</u>	<u>1,201,325</u>	<u>120,889</u>	<u>1,541,969</u>	<u>8,284,398</u>
Total Deferred Outflows of Resources	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 3,587,872</u>	<u>\$ 1,832,343</u>	<u>\$ 1,201,325</u>	<u>\$ 120,889</u>	<u>\$ 1,541,969</u>	<u>\$ 8,284,398</u>
Liabilities:						
Warrants and accounts payable	\$ 86,099	\$ 10	\$ -	\$ 8,250	\$ 85,803	\$ 180,162
Accrued payroll and withholdings	551,404	-	-	-	8,138	559,542
Unearned revenue	-	-	-	-	170,139	170,139
Other liabilities	60,981	-	-	-	-	60,981
Bond anticipation notes payable	-	-	-	1,664,500	-	1,664,500
Total Liabilities	<u>698,484</u>	<u>10</u>	<u>-</u>	<u>1,672,750</u>	<u>264,080</u>	<u>2,635,324</u>
Deferred Inflows of Resources:						
Unavailable revenues - property taxes	98,732	-	-	-	-	98,732
Unavailable revenues - community preservation	-	6,088	-	-	-	6,088
Unavailable revenues - excise taxes and other	390,450	-	-	-	22,922	413,372
Total Deferred Inflows of Resources	<u>489,182</u>	<u>6,088</u>	<u>-</u>	<u>-</u>	<u>22,922</u>	<u>518,192</u>
Fund Balances:						
Nonspendable	-	-	-	-	111,012	111,012
Restricted	-	1,826,245	1,201,325	38,950	1,259,304	4,325,824
Committed	253,603	-	-	-	-	253,603
Assigned	480,699	-	-	-	-	480,699
Unassigned	1,665,904	-	-	(1,590,811)	(115,349)	(40,256)
Total Fund Balances	<u>2,400,206</u>	<u>1,826,245</u>	<u>1,201,325</u>	<u>(1,551,861)</u>	<u>1,254,967</u>	<u>5,130,882</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 3,587,872</u>	<u>\$ 1,832,343</u>	<u>\$ 1,201,325</u>	<u>\$ 120,889</u>	<u>\$ 1,541,969</u>	<u>\$ 8,284,398</u>

See accompanying notes to basic financial statements.

TOWN OF HATFIELD, MASSACHUSETTS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

Total Governmental Fund Balances		\$ 5,130,882
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.		15,803,927
Other long-term assets are unavailable to pay current-period expenditures and are therefore unavailable within the funds		518,192
Deferred outflows and inflows of resources to be recognized in future years' expense are not available resources and, therefore, are not reported in the funds:		
Deferred outflows related to net other postemployment benefits liability	876,920	
Deferred outflows related to net pension liability	675,652	
Deferred inflows related to net other postemployment benefits liability	(1,280,240)	
Deferred inflows related to net pension liability	<u>(1,006,995)</u>	
Net effect of reporting deferred outflows and inflows		(734,663)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the government funds:		
Bonds and notes payable	(192,500)	
Capital leases payable	(804,937)	
Landfill closure	(36,750)	
Compensated absences	(135,604)	
Net pension liability	(3,858,855)	
Net other postemployment benefits liability	<u>(9,336,667)</u>	
Net effect of reporting long-term liabilities		<u>(14,365,313)</u>
Net Position of Governmental Activities		<u><u>\$ 6,353,025</u></u>

See accompanying notes to basic financial statements.

TOWN OF HATFIELD, MASSACHUSETTS

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

	General Fund	Community Preservation Fund	School Choice Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Property taxes	\$ 8,413,215	\$ 178,804	\$ -	\$ -	\$ -	\$ 8,592,019
Intergovernmental	2,942,491	169,578	916,322	-	953,603	4,981,994
Motor vehicle and other excises	660,201	-	-	-	-	660,201
Licenses and permits	88,214	-	-	-	-	88,214
Departmental and other	136,004	-	-	-	373,437	509,441
Penalties and interest on taxes	138,143	-	-	-	-	138,143
Fines and forfeitures	65,133	-	-	-	-	65,133
Investment income	7,842	3,304	-	-	(2,048)	9,098
Contributions and donations	-	-	-	-	57,377	57,377
Total Revenues	12,451,243	351,686	916,322	-	1,382,369	15,101,620
Expenditures:						
Current:						
General government	1,001,386	16,305	-	168,845	415,750	1,602,286
Public safety	588,644	-	-	-	131,113	719,757
Education	5,028,588	-	770,940	-	546,868	6,346,396
Public works	1,184,964	-	-	631,354	224,877	2,041,195
Health and human services	155,609	-	-	-	19,500	175,109
Culture and recreation	121,276	-	-	-	101,094	222,370
Pension and fringe benefits	2,840,068	-	-	-	-	2,840,068
State and county assessments	448,987	-	-	-	-	448,987
Debt service:						
Principal	32,500	-	-	-	-	32,500
Interest	30,794	-	-	-	-	30,794
Total Expenditures	11,432,816	16,305	770,940	800,199	1,439,202	14,459,462
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,018,427</u>	<u>335,381</u>	<u>145,382</u>	<u>(800,199)</u>	<u>(56,833)</u>	<u>642,158</u>
Other Financing Sources (Uses):						
Transfers in	96,827	-	-	490,832	-	587,659
Transfers out	(1,491,678)	-	-	-	(117,398)	(1,609,076)
Proceeds from capital lease financing	-	-	-	600,000	-	600,000
Total Other Financing Sources (Uses)	(1,394,851)	-	-	1,090,832	(117,398)	(421,417)
Net Change in Fund Balances	(376,424)	335,381	145,382	290,633	(174,231)	220,741
Fund Balances - Beginning of year	<u>2,776,630</u>	<u>1,490,864</u>	<u>1,055,943</u>	<u>(1,842,494)</u>	<u>1,429,198</u>	<u>4,910,141</u>
Fund Balances - End of year	<u>\$ 2,400,206</u>	<u>\$ 1,826,245</u>	<u>\$ 1,201,325</u>	<u>\$ (1,551,861)</u>	<u>\$ 1,254,967</u>	<u>\$ 5,130,882</u>

See accompanying notes to basic financial statements.

TOWN OF HATFIELD, MASSACHUSETTS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Net Change in Fund Balances - Total Governmental Fund Balances **\$ 220,741**

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The net amounts are reflected here as reconciling items:

Capital outlays	1,041,309	
Depreciation expense	(902,601)	
Net effect of reporting capital assets		138,708

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the Statement of Activities. The net amounts are reflected here as reconciling items:

Proceeds from capital lease issuance	(600,000)	
Repayments of capital lease obligations	210,295	
Repayments of debt obligations	32,500	
Net effect of reporting long-term debt		(357,205)

Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. The amount presented represents the following differences derived from unavailable revenue.

(115,805)

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:

Landfill closure	5,250	
Compensated absences	(20,407)	
Pension benefits	173,684	
Other postemployment benefits	(1,447,142)	
Net effect of reporting long-term liabilities		(1,288,615)

Change in Net Position of Governmental Activities **\$ (1,402,176)**

See accompanying notes to basic financial statements.

TOWN OF HATFIELD, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2021**

	Business-Type Activities		Total Enterprise Funds
	Water	Sewer	
Assets:			
Current assets:			
Cash and cash equivalents	\$ 595,442	\$ -	\$ 595,442
User charges and other receivables (net):	217,639	208,083	425,722
Intergovernmental receivables	-	247,578	247,578
Total current assets	<u>813,081</u>	<u>455,661</u>	<u>1,268,742</u>
Noncurrent assets:			
Land	235,554	75,046	310,600
Construction in-process	3,355,700	537,218	3,892,918
Capital assets (net of depreciation)	1,552,384	3,143,332	4,695,716
Total noncurrent assets	<u>5,143,638</u>	<u>3,755,596</u>	<u>8,899,234</u>
Total Assets	<u>5,956,719</u>	<u>4,211,257</u>	<u>10,167,976</u>
Deferred Outflows of Resources:			
Related to net OPEB liability	48,555	63,370	111,925
Related to net pension liability	37,411	48,825	86,236
Total Deferred Outflows of Resources	<u>85,966</u>	<u>112,195</u>	<u>198,161</u>
Liabilities:			
Current liabilities:			
Warrants and accounts payable	5,847	23,344	29,191
Accrued payroll and withholdings	5,971	6,088	12,059
Accrued interest	26,788	-	26,788
Due to other funds	-	108,637	108,637
Bond anticipation notes payable	2,218,000	369,000	2,587,000
Compensated absences	3,213	6,297	9,510
Bonds and notes payable	98,139	16,000	114,139
Total current liabilities	<u>2,357,958</u>	<u>529,366</u>	<u>2,887,324</u>
Noncurrent liabilities:			
Compensated absences	9,637	18,890	28,527
Net other postemployment benefits liability	516,967	674,706	1,191,673
Net pension liability	213,663	278,857	492,520
Bonds and notes payable	799,797	-	799,797
Total noncurrent liabilities	<u>1,540,064</u>	<u>972,453</u>	<u>2,512,517</u>
Total Liabilities	<u>3,898,022</u>	<u>1,501,819</u>	<u>5,399,841</u>
Deferred Inflows of Resources:			
Related to net OPEB liability	70,886	92,515	163,401
Related to net pension liability	55,758	72,769	128,527
Total Deferred Inflows of Resources	<u>126,644</u>	<u>165,284</u>	<u>291,928</u>
Net Position:			
Net investment in capital assets	2,027,702	3,370,596	5,398,298
Unrestricted	(9,683)	(714,247)	(723,930)
Total Net Position	<u>\$ 2,018,019</u>	<u>\$ 2,656,349</u>	<u>\$ 4,674,368</u>

See accompanying notes to basic financial statements.

TOWN OF HATFIELD, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021**

	Business-Type Activities		
	Water	Sewer	Total Enterprise Funds
Operating Revenues:			
Charges for services	\$ 554,552	\$ 526,815	\$ 1,081,367
Other	11,806	4,622	16,428
Total Operating Revenues	<u>566,358</u>	<u>531,437</u>	<u>1,097,795</u>
Operating Expenses:			
Operating costs	437,879	702,652	1,140,531
Depreciation	103,881	119,791	223,672
Total Operating Expenses	<u>541,760</u>	<u>822,443</u>	<u>1,364,203</u>
Total Operating Income (Loss)	<u>24,598</u>	<u>(291,006)</u>	<u>(266,408)</u>
Nonoperating Revenues (Expenses):			
Intergovernmental	-	410,478	410,478
Interest expense	(67,023)	(11,148)	(78,171)
Total Nonoperating Revenues (Expenses)	<u>(67,023)</u>	<u>399,330</u>	<u>332,307</u>
Income (Loss) Before Capital Contributions and Transfers	(42,425)	108,324	65,899
Transfers:			
Transfers in	467,101	556,539	1,023,640
Transfers out	(1,111)	(1,112)	(2,223)
Transfers, net	<u>465,990</u>	<u>555,427</u>	<u>1,021,417</u>
Change in Net Position	423,565	663,751	1,087,316
Beginning of Year	<u>1,594,454</u>	<u>1,992,598</u>	<u>3,587,052</u>
Ending of Year	<u>\$ 2,018,019</u>	<u>\$ 2,656,349</u>	<u>\$ 4,674,368</u>

See accompanying notes to basic financial statements.

TOWN OF HATFIELD, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FISCAL YEAR ENDED JUNE 30, 2021**

	Business-Type Activities		Total Enterprise Funds
	Water	Sewer	
Cash Flows from Operating Activities:			
Receipts from users	\$ 607,410	\$ 532,753	\$ 1,140,163
Receipts from other operating revenues	11,806	4,622	16,428
Payments to employees	(152,805)	(164,027)	(316,832)
Payments to vendors	(269,531)	(392,811)	(662,342)
Net Cash Provided by Operating Activities	196,880	(19,463)	177,417
Cash Flows from Noncapital Financing Activities:			
Operating grants	-	(47,578)	(47,578)
Interfund borrowing	-	108,637	108,637
Transfers in	467,101	556,539	1,023,640
Transfers out	(1,111)	(1,112)	(2,223)
Net Cash Provided by Noncapital Financing Activities	465,990	616,486	1,082,476
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(524,215)	(502,227)	(1,026,442)
Principal payments on bonds and notes	(272,139)	(376,000)	(648,139)
Interest payments on bonds and notes	(39,014)	399,330	360,316
Net Cash (Used in) Provided by Capital and Related Financing Activities	(835,368)	(478,897)	(1,314,265)
Cash Flows from Investing Activities:			
Investment income	-	-	-
Net Cash Provided by Investing Activities	-	-	-
Net Change in Cash and Cash Equivalents	(172,498)	118,126	(54,372)
Cash and Cash Equivalents:			
Beginning of the year	767,940	(118,126)	649,814
End of the year	<u>\$ 595,442</u>	<u>\$ -</u>	<u>\$ 595,442</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Operating Income (Loss)	\$ 24,598	\$ (291,006)	\$ (266,408)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	103,881	119,791	223,672
Changes in assets and liabilities:			
Receivables	52,858	5,938	58,796
Deferred outflows of resources	(35,710)	-	(35,710)
Accounts payable and other current liabilities	(3,421)	-	(3,421)
Compensated absences	4,472	-	4,472
Other	(56,018)	-	(56,018)
Other postemployment benefits	61,673	-	61,673
Pension benefits	(11,498)	-	(11,498)
Deferred inflows of financial resources	56,045	145,814	201,859
Net Cash Provided by Operating Activities	\$ 196,880	\$ (19,463)	\$ 177,417
Noncash capital and financing activities:			
Intergovernmental subsidies of debt service	\$ -	\$ 410,478	\$ 410,478

See accompanying notes to basic financial statements.

TOWN OF HATFIELD, MASSACHUSETTS

**FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2021**

	<u>Private Purpose Trust Funds</u>
Assets:	
Cash and cash equivalents	\$ 131,427
Receivables, net of allowance for uncollectibles	<u>-</u>
Total Assets	<u>131,427</u>
Liabilities:	
Warrants payable	-
Agency liabilities	<u>-</u>
Total Liabilities	<u>-</u>
Net Position:	
Held in trust for private purposes	<u>131,427</u>
Total Net Position	<u><u>\$ 131,427</u></u>

See accompanying notes to basic financial statements.

TOWN OF HATFIELD, MASSACHUSETTS

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021

	Private Purpose Trust Funds
Additions:	
Contributions and donations	\$ 91
Investment income	274
	<hr/>
Total Additions	365
	<hr/>
Deductions:	
Educational scholarships	3,012
	<hr/>
Total Deductions	3,012
	<hr/>
Change in Net Position	(2,647)
	<hr/>
Net Position - Beginning of year	134,074
	<hr/>
Net Position - End of year	\$ 131,427
	<hr/> <hr/>

See accompanying notes to basic financial statements.

TOWN OF HATFIELD, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

I. Summary of Significant Accounting Policies

The accompanying basic financial statements of the Town of Hatfield (the “Town”) have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board (“GASB”), which is the primary standard-setting body for state and local governmental entities. The following is a summary of the more significant policies and practices used by the Town:

A. Reporting Entity

The Town of Hatfield is located in Hampshire County, in the northwestern area of Massachusetts and was incorporated as a town in 1670. The governing structure utilizes an open town meeting form, with an elected three-member Select Board and an appointed Town Administrator, who performs and oversees the Town’s daily executive and administrative duties. Select Board serve staggered three-year terms.

The Town provides governmental services for the territory within its boundaries, including police and fire protection, disposal of rubbish and recycling, public education, water and sewer services, street maintenance, certain programs servicing the aging and veteran populations, and parks and recreational services. The water and sewer services are each funded almost entirely with user charges and are provided via connections to Town owned facilities.

Component units, while separate entities, are in substance part of the governmental operations if the significance of their operations and/or financial relationship with the Town meet certain criteria. Pursuant to these criteria there are no component units required to be included in the financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Major Fund Criteria – Major funds must be reported if both of the following criteria are met:

- 1) The total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least ten percent of the corresponding element for all funds of that category or type, and
- 2) The total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding elements for all governmental and enterprise funds combined.

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

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

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

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

The governmental fund financial statements are reported using *the current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e. measurable and available). Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for interest on general long-term debt which is recognized when payment is due, certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

The Town applies the susceptible to accrual criteria to intergovernmental revenues. In applying the susceptible to accrual concept, there are two types of revenues. In one, moneys must be expended for a specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized as expenditures are incurred. In the other, moneys are virtually unrestricted and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues when cash is received, or earlier if the susceptible to accrual criteria are met. State aid is accrued as revenue in the year that the funds are appropriated by the Commonwealth of Massachusetts (the “Commonwealth”).

The Town considers property tax revenues to be available if they are collected within sixty days after the end of the fiscal year and are material. Investment income associated with the current fiscal period is susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received and are recognized as revenue at that time.

The government reports the following major governmental funds:

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

Community Preservation Act Fund – is used to account for funds received in accordance with the Massachusetts Community Preservation Act. Funds are used to acquire or develop open space and recreational facilities, preservation of historic resources and affordable housing.

School Choice Fund – is used to account for funds received from the Commonwealth in accordance the inter-district School Choice program as authorized under MGL c.76, s.12B. These funds are provided from assessments to other school districts wherein certain families have optioned to send their children to the Hatfield Public Schools, outside of their residential school district. Such monies are available for expenditure by the Hatfield School Committee without further appropriation.

Capital Projects Fund – is used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

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

Special Revenue Funds – are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Permanent Funds – are used to account for financial resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Agency Fund – is used to account for assets held in a purely custodial capacity. This fund is primarily used for developer escrow funds. Agency funds apply the accrual basis of accounting but do not have a measurement focus.

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues are user charges and fees, while operating expenses consist of

salaries, ordinary maintenance, indirect costs and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The government reports the following major proprietary funds:

Water Enterprise Fund– accounts for user charges collected to finance costs associated with maintaining the related infrastructure within the Town boundaries by which the water activities are processed.

Sewer Enterprise Fund – accounts for user charges collected to finance costs associated with maintaining the related infrastructure within the Town boundaries by which the sewer activities are processed.

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

The Town reports the following fiduciary funds:

Private-Purpose Trust Fund – is used to account for trust arrangements under which principal and income benefit individuals, private organizations or other governments. This fund is used for educational scholarships.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

Deposits and Investments – The Town’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the Town are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Receivables – Real estate and personal property taxes are assessed on January 1 every year. Bills are sent quarterly and are due on August 1, November 1, February 1, and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes at the rate of 14% per annum. Property taxes levied are recorded as receivables in the fiscal year of the levy. The Town is permitted to take delinquent tax accounts into tax title fourteen days subsequent to the mailing of demand of delinquent taxes.

User charges receivables represent amounts billed for water and sewer usage. Water and sewer charges are billed semi-annual and are subject to penalties and interest if not paid by the respective due date. The Town is authorized to take water and sewer fees into tax title fourteen days subsequent to the mailing of a demand for payment for the delinquent taxes.

Real estate taxes, water and sewer user fees are secured through a lien process within sixty days after the due date and are considered 100% collectible. Accordingly, an allowance for uncollectible balances for these receivables is not reported. All personal property tax, excise tax and other departmental receivables are shown net of an allowance for uncollectible accounts, which are comprised of those outstanding amounts greater than five years old, if material.

Inventories and Prepaid Items – Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase. Certain payments to vendors reflect costs applicable to future accounting periods and may be recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles, and infrastructure (e.g. roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Interest incurred during the construction phase of capital assets of business-type activities, if material is included as part of the capitalized value of the assets constructed.

All purchases and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction and with expected lives of greater than two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets (excluding land and construction-in-process) are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10-40 years
Machinery and equipment	3-15 years
Vehicles	3-15 years
Infrastructure	20-50 years

Interfund Balances – Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either *due to/from other funds* or *advances to/from other funds*. All other outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*.

Interfund Transfers – During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out in the individual fund statements. Transfers between and within governmental and fiduciary funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the statement of activities as *transfers, net*.

Investment Income – Investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by state law. Investment income of the proprietary funds is retained in the funds.

Compensated Absences – It is the Town’s policy to permit employees to accumulate earned but unused sick and vacation benefits into subsequent fiscal years. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting the payroll and related expenditures. Amounts related to these benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in Governmental Funds only if they have matured.

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

In the governmental fund financial statements, the face amount of long-term debt issued is reported as other financing sources. Premiums received on a debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are exclusively reported as general government expenditures regardless of whether they are withheld from the actual proceeds.

Deferred Outflows/Inflows of Resources- In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The Town has only two types of items that qualify for reporting as a deferred outflow reported on the government-wide statement of net position that relates to outflows from changes in the net pension and OPEB liabilities. The outflows will be recognized in expense in future years as more fully described in Note III, subsection A and B.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has three types of items which qualify for reporting in this category. The first arises under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and excise taxes and other revenues. These amounts are deferred and recognized as an inflow of resource in the period that the amounts become available. The remaining types of item that qualify for reporting as a deferred inflow are reported on the government-wide statement of net position. These items relate to inflows from changes in the net pension liability which will be recognized in expense in future years as more fully described in Note III, subsection A and inflows from changes in the net other postemployment benefits liability which will be recognized in expense in future years as more fully described in Note III, subsection B.

Net Position – In the government-wide financial statements, net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital related debt.

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific use. Net position has been *restricted* for the following:

Nonexpendable permanent funds represent amounts held in trust whereby expenditures are subject to various trust agreements.

Community preservation represents assets that are restricted by state law for the purposes of acquiring or developing open space and recreational facilities, historic resources and affordable housing.

Federal and State grants represent assets that have restrictions placed on them from federal and state granting agencies.

Other purposes represent assets that are restricted by grantors, donors and state laws for specific governmental programs and uses.

Fund Equity –In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily to the extent in which the Town is required to honor constraints on the specific purpose for which amounts in the funds can be spent.

Fund balance is reported in five components – non-spendable, restricted, committed, assigned, and unassigned as described below:

Non-spendable represents amounts that cannot be spent because they are either (a) not in spendable form (i.e. inventory or prepaid expenses) or (b) legally or contractually required to be maintained intact such as the corpus of an endowment.

Restricted represents amounts that have constraints placed either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Town to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision making authority, which consists of the Town Meeting through Town Meeting votes. Those committed amounts cannot be used for any other purpose unless the Town Meeting removes or changes the specified use by taking the same type of action (through Town Meeting votes) it employed previously to commit those amounts.

Assigned represents amounts that are constrained by the Town's intent to be used for specific purposes but are neither restricted nor committed. The authority for assigning fund balance is expressed by the Town Meeting, Select Board or their designee.

Unassigned represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the Town's policy to use committed resources first, then assigned, and then unassigned as they are needed. The Town has not established financial policies with respect to maintaining minimum fund balance amounts.

The following table reflects the Town's fund equity categorizations:

	General Fund	Community Preservation Fund	School Choice Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Nonspendable:						
Nonexpendable trust funds	\$ -	\$ -	\$ -	\$ -	\$ 111,012	\$ 111,012
Restricted:						
General government	-	-	-	-	447,411	447,411
Public safety	-	-	-	-	208,358	208,358
Education	-	-	1,201,325	-	320,931	1,522,256
Public works	-	-	-	-	23,352	23,352
Health and human services	-	1,826,245	-	-	16,185	1,842,430
Culture and recreation	-	-	-	-	234,281	234,281
Capital outlay	-	-	-	38,950	-	38,950
Other purposes	-	-	-	-	8,786	8,786
Committed:						
Town meeting articles	253,603	-	-	-	-	253,603
Assigned:						
Subsequent years' budget	480,699	-	-	-	-	480,699
Unassigned	1,665,904	-	-	(1,590,811)	(115,349)	(40,256)
	<u>\$ 2,400,206</u>	<u>\$ 1,826,245</u>	<u>\$ 1,201,325</u>	<u>\$ (1,551,861)</u>	<u>\$ 1,254,967</u>	<u>\$ 5,130,882</u>

Stabilization Funds – The Town maintains a general stabilization fund which may be used for any municipal purpose upon a two-thirds vote of the Town Meeting. The balance of the fund totals \$419,189 at June 30, 2021 and is reported as unassigned fund balance in the general fund.

The Town maintains a capital stabilization fund which may be used for any municipal capital purpose upon a two-thirds vote of the Town Meeting. The balance of the fund totals \$35,959 at June 30, 2021 and is reported as unassigned fund balance in the general fund.

The Town maintains a Town Hall stabilization fund which may be used for any Town Hall capital purpose upon a two-thirds vote of the Town Meeting. The balance of the fund totals \$6,940 at June 30, 2021 and is reported as unassigned fund balance in the general fund.

Encumbrances - The Town's encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal purchasing activity approved by the Town Accountant as assigned, and (2) classify encumbrances that result from an action of the Town Meeting as committed; these are more commonly referred to as articles in the Commonwealth of Massachusetts. Encumbrances of funds already restricted or committed are included within the classification of those fund balances and not reported separately. The Town reports \$253,603 of encumbrances from town meeting articles in the general fund as committed.

E. Excess of Expenditures Over Appropriations and Deficits

During fiscal year 2021, expenditures exceeded appropriations in the General Fund for snow and ice costs by \$85,200. This deficit will be funded through available funds in fiscal year 2022.

The Town also incurred individual fund deficits totaling \$1,590,811 reported in the capital projects major fund and \$115,349 reported in the non-major governmental funds. These deficits will be funded through available funds, future grant reimbursements and bond proceeds.

F. Use of Estimates

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

II. Detailed Notes to All Funds

A. Deposits and Investments

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

State laws and regulations require the Town to invest funds only in pre-approved investment instruments which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and State Treasurer's investment pool ("the Pool"). In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation. During the fiscal year, the Town did not enter into any repurchase agreements.

The pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (the MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Custodial Credit Risk: Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk relative to cash holdings. At year-end, the carrying amount of the Town's deposits was \$4,920,616 and the bank balance was \$5,147,952 which was covered by either federal depository insurance or by the depositors' insurance fund.

Custodial Credit Risk: Investments – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing for bankruptcy, the Town might not be able to recover the full amount of its principal investment and/or investment earnings. The Town has limited investment policies related to custodial credit risk. The Town's investment in the MMDT are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Fair Value of Investments – The Town reports its investments at fair value. When actively quoted observable prices are not available, the Town generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. This hierarchy is based on valuation inputs used to measure the fair value of the asset or liability. The three levels of the hierarchy are as follows:

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.
- *Level 2* – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the investment through correlation with market data at the measurement date and for the duration of the instrument’s anticipated life.
- *Level 3* – Inputs reflect the Town’s best estimate of what market participants would use in pricing the investment at the measurement date.

The following table’s presents the Town’s investments carried at fair value on a recurring basis in the statement of net position at June 30, 2021:

<u>Investments by fair value level</u>	<u>6/30/2021</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments measured at amortized costs				
State investment pool (MMDT)	\$ 3,389,323			
Total investments	<u>\$ 3,389,323</u>			

The State Treasurer’s investment pool (MMDT) is valued at amortized cost. The MMDT’s investment advisor may value the pool using an alternative valuation method that more accurately reflects the fair value in accordance with the pools fair value pricing policies should amortized cost not approximate the fair value of the pool.

Interest Rate Risk – This is the risk that fair value losses may arise due to increasing interest rates. The Town does not have formal investment policies that limit 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 a limit on the amount that may be invested in any one issuer. During the fiscal year, the Town maintained 100% of its investments in the MMDT.

Credit Risk – The Town has not adopted a formal policy related to credit risk. Investments in the MMDT are unrated.

B. Receivables

Receivables as of year-end for the Town’s individual major and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Real estate and personal property taxes	\$ 98,732	\$ -	\$ 98,732
Tax liens and foreclosures	347,034	-	347,034
Motor vehicle and other excise taxes	43,416	-	43,416
Community Preservation surcharges	6,088	-	6,088
Ambulance fees	124,960	(102,038)	22,922
Intergovernmental	74,499	-	74,499
Total	<u>\$ 694,729</u>	<u>\$ (102,038)</u>	<u>\$ 592,691</u>

Receivables as of year-end for the Town’s proprietary funds are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Water user charges	\$ 202,919	\$ -	\$ 202,919
Water liens	14,720	-	14,720
Sewer user charges	187,685	-	187,685
Sewer liens	20,398	-	20,398
Intergovernmental	247,578	-	247,578
Total	<u>\$ 673,300</u>	<u>\$ -</u>	<u>\$ 673,300</u>

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

	General Fund	Other Governmental Funds	Net Amount
Receivable type:			
Real estate and personal property taxes	\$ 98,732	\$ -	\$ 98,732
Tax liens and foreclosures	347,034	-	347,034
Motor vehicle	43,416	-	43,416
Community preservation surcharges	-	6,088	6,088
Ambulance fees	-	22,922	22,922
Total	<u>\$ 489,182</u>	<u>\$ 29,010</u>	<u>\$ 518,192</u>

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 586,870	\$ -	\$ -	\$ 586,870
Construction in process	2,788,625	31,354	(2,653,625)	166,354
Total capital assets not being depreciated	3,375,495	31,354	(2,653,625)	753,224
Capital assets being depreciated:				
Buildings and improvements	17,405,480	2,822,620	-	20,228,100
Equipment and vehicles	4,442,123	620,132	-	5,062,255
Infrastructure	7,293,205	220,828	-	7,514,033
Total capital assets being depreciated	29,140,808	3,663,580	-	32,804,388
Less accumulated depreciation for:				
Buildings and improvements	(9,747,681)	(431,452)	-	(10,179,133)
Equipment and vehicles	(3,303,663)	(263,595)	-	(3,567,258)
Infrastructure	(3,799,740)	(207,554)	-	(4,007,294)
Total accumulated depreciation	(16,851,084)	(902,601)	-	(17,753,685)
Total capital assets being depreciated, net	12,289,724	2,760,979	-	15,050,703
Total governmental activities capital assets, net	\$ 15,665,219	\$ 2,792,333	\$ (2,653,625)	\$ 15,803,927
<i>Business-Type Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 310,600	\$ -	\$ -	\$ 310,600
Construction in process	3,255,496	934,693	(297,271)	3,892,918
Total capital assets not being depreciated	3,566,096	934,693	(297,271)	4,203,518
Capital assets being depreciated:				
Buildings and improvements	99,940	-	-	99,940
Equipment and vehicles	768,763	-	-	768,763
Infrastructure	13,072,994	389,020	-	13,462,014
Total capital assets being depreciated	13,941,697	389,020	-	14,330,717
Less accumulated depreciation for:				
Buildings and improvements	(36,645)	(6,663)	-	(43,308)
Equipment and vehicles	(374,441)	(31,365)	-	(405,806)
Infrastructure	(9,000,243)	(185,644)	-	(9,185,887)
Total accumulated depreciation	(9,411,329)	(223,672)	-	(9,635,001)
Total capital assets being depreciated, net	4,530,368	165,348	-	4,695,716
Total business-type activities capital assets, net	\$ 8,096,464	\$ 1,100,041	\$ (297,271)	\$ 8,899,234

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-type Activities: Water</i>				
Capital assets not being depreciated:				
Land	\$ 235,554	\$ -	\$ -	\$ 235,554
Construction in process	2,831,485	524,215	-	3,355,700
Total capital assets not being depreciated	<u>3,067,039</u>	<u>524,215</u>	<u>-</u>	<u>3,591,254</u>
Capital assets being depreciated:				
Infrastructure	3,791,607	-	-	3,791,607
Machinery and equipment	<u>109,977</u>	<u>-</u>	<u>-</u>	<u>109,977</u>
Total capital assets being depreciated	<u>3,901,584</u>	<u>-</u>	<u>-</u>	<u>3,901,584</u>
Less accumulated depreciation for:				
Machinery and equipment	(31,157)	(5,931)	-	(37,088)
Infrastructure	<u>(2,214,162)</u>	<u>(97,950)</u>	<u>-</u>	<u>(2,312,112)</u>
Total accumulated depreciation	<u>(2,245,319)</u>	<u>(103,881)</u>	<u>-</u>	<u>(2,349,200)</u>
Total capital assets being depreciated, net	<u>1,656,265</u>	<u>(103,881)</u>	<u>-</u>	<u>1,552,384</u>
Total Water capital assets, net	<u>\$ 4,723,304</u>	<u>\$ 420,334</u>	<u>\$ -</u>	<u>\$ 5,143,638</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-type Activities: Sewer</i>				
Capital assets not being depreciated:				
Land	\$ 75,046	\$ -	\$ -	\$ 75,046
Construction in process	<u>424,011</u>	<u>410,478</u>	<u>(297,271)</u>	<u>537,218</u>
Total capital assets not being depreciated	<u>499,057</u>	<u>410,478</u>	<u>(297,271)</u>	<u>612,264</u>
Capital assets being depreciated:				
Buildings and improvements	99,940	-	-	99,940
Equipment and vehicles	658,786	-	-	658,786
Infrastructure	<u>9,281,387</u>	<u>389,020</u>	<u>-</u>	<u>9,670,407</u>
Total capital assets being depreciated	<u>10,040,113</u>	<u>389,020</u>	<u>-</u>	<u>10,429,133</u>
Less accumulated depreciation for:				
Buildings and improvements	(36,645)	(6,663)	-	(43,308)
Equipment and vehicles	(343,284)	(25,434)	-	(368,718)
Infrastructure	<u>(6,786,081)</u>	<u>(87,694)</u>	<u>-</u>	<u>(6,873,775)</u>
Total accumulated depreciation	<u>(7,166,010)</u>	<u>(119,791)</u>	<u>-</u>	<u>(7,285,801)</u>
Total capital assets being depreciated, net	<u>2,874,103</u>	<u>269,229</u>	<u>-</u>	<u>3,143,332</u>
Total Sewer capital assets, net	<u>\$ 3,373,160</u>	<u>\$ 679,707</u>	<u>\$ (297,271)</u>	<u>\$ 3,755,596</u>

Depreciation expense was charged to the following functions/programs as follows:

Governmental Activities:		Business-Type Activities:	
General government	\$ 91,985	Water	\$ 103,881
Public safety	117,239	Sewer	119,791
Education	317,735		<u>\$ 223,672</u>
Public works	367,324		
Health and human services	4,374		
Culture and recreation	3,944		
	<u>\$ 902,601</u>		

D. Interfund Receivables, Payables and Transfers

The composition of interfund transfers for the fiscal year ended June 30, 2021 is as follows:

Transfers Out	Transfers In				Total	
	General Fund	Capital Projects Fund	Water Enterprise Fund	Sewer Enterprise Fund		
General Fund	\$ -	\$ 468,038	\$ 467,101	\$ 556,539	\$ 1,491,678	(1)
Nonmajor Governmental Funds	94,604	22,794	-	-	117,398	(2)
Water Enterprise Fund	1,111	-	-	-	1,111	(3)
Sewer Enterprise Fund	1,112	-	-	-	1,112	(3)
Total	<u>\$ 96,827</u>	<u>\$ 490,832</u>	<u>\$ 467,101</u>	<u>\$ 556,539</u>	<u>\$ 1,611,299</u>	

- (1) Transfers to capital projects fund for debt paydowns; transfers to water enterprise to supplement operations.
- (2) Transfers to general fund to supplement operating budgets and close out surplus funds.
- (3) Transfers to general fund to close out stabilization fund balances in the water and sewer funds, respectively.

E. Temporary Debt

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

Current Operating Costs – Prior to the collection of revenues, expenditures may be financed through the issuance of revenue (RANs) or tax anticipation notes (TANs).

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (BANs) or grant anticipation notes (GANs). In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount.

Temporary notes are general obligations of the Town and carry maturity dates that are limited by state law.

Temporary notes outstanding at June 30, 2021, are payable as follows:

Type	Interest Rate	Maturity Date	Beginning Balance	Additions	Retirements	Ending Balance
BAN	1.25%	3/16/21	\$ 1,325,000	\$ -	\$ (1,325,000)	\$ -
BAN	1.99%	7/10/20	320,000	-	(320,000)	-
BAN	0.89%	7/9/21	-	472,000	-	472,000
BAN	0.40%	3/16/22	-	1,192,500	-	1,192,500
Total Governmental Notes			<u>1,645,000</u>	<u>1,664,500</u>	<u>(1,645,000)</u>	<u>1,664,500</u>
BAN	1.99%	7/10/20	2,921,000	-	(2,921,000)	-
SAN	1.10%	7/31/20	200,000	-	(200,000)	-
BAN	0.89%	7/9/21	-	2,587,000	-	2,587,000
Total Business-Type Notes			<u>3,121,000</u>	<u>2,587,000</u>	<u>(3,121,000)</u>	<u>2,587,000</u>
Total Notes Payable			<u>\$ 4,766,000</u>	<u>\$ 4,251,500</u>	<u>\$ (4,766,000)</u>	<u>\$ 4,251,500</u>

Temporary notes were issued within the governmental funds for building renovations and a fire tanker and within business-type activities for water and sewer infrastructure construction and repair projects.

F. Long-Term Liability Obligations

The Town issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities.

General obligation bonds and notes have been issued for both governmental and business-type activities. Additionally, the Town incurs various other long-term obligations relative to associated personnel costs.

State law permits the Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5.0 percent of its equalized valuation. Debt issued in accordance with this section of the law is designated as being “inside the debt limit.” In addition, the Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being “outside the debt limit”.

The following reflects the current year activity in the long-term liability accounts:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
<i><u>Governmental Activities:</u></i>					
Notes from direct borrowings and placements	\$ 225,000	\$ -	\$ (32,500)	\$ 192,500	\$ 32,500
Capital leases	415,232	600,000	(210,295)	804,937	195,919
Landfill closure	42,000	-	(5,250)	36,750	5,250
Compensated absences	115,197	49,206	(28,799)	135,604	33,901
Net other postemployment benefits liability	8,222,820	2,496,600	(1,382,754)	9,336,666	-
Net pension liability	4,066,502	1,363,635	(1,571,282)	3,858,855	-
Total Governmental Activities	\$ 13,086,751	\$ 4,509,441	\$ (3,230,880)	\$ 14,365,312	\$ 267,570
<i><u>Business-Type Activities - Water:</u></i>					
Notes from direct borrowings and placements	\$ 996,075	\$ -	\$ (98,139)	\$ 897,936	\$ 98,139
Compensated absences	8,378	6,567	(2,095)	12,850	3,213
Net other postemployment benefits liability	455,294	138,236	(76,563)	516,967	-
Net pension liability	225,161	75,504	(87,002)	213,663	-
Total Water	1,684,908	220,307	(263,799)	1,641,416	101,352
<i><u>Business-Type Activities - Sewer:</u></i>					
Notes from direct borrowings and placements	32,000	-	(16,000)	16,000	16,000
Compensated absences	19,260	10,742	(4,815)	25,187	6,297
Net other postemployment benefits liability	594,214	180,414	(99,922)	674,706	-
Net pension liability	293,862	98,542	(113,547)	278,857	-
Total Sewer	939,336	289,698	(234,284)	994,750	22,297
Total Business-Type Activities	\$ 2,624,244	\$ 510,005	\$ (498,083)	\$ 2,636,166	\$ 123,649
Total Long-term Obligations	\$ 15,710,995	\$ 5,019,446	\$ (3,728,963)	\$ 17,001,478	\$ 391,219

The governmental activities liabilities will be liquidated by the general fund. The business-type activities liabilities will be liquidated by the sewer and water enterprise fund.

The following is a summary of outstanding long-term debt obligations as of June 30, 2021:

Description of Issue	Interest Rate	Beginning Balance	Additions	Maturities	Ending Balance
<i><u>Governmental Activities:</u></i>					
State House Note	3.20%	\$ 225,000	\$ -	\$ (32,500)	\$ 192,500
Total Governmental Activities		\$ 225,000	\$ -	\$ (32,500)	\$ 192,500
<i><u>Business-Type Activities - Water:</u></i>					
USDA Loan	5.00%	\$ 922,875	\$ -	\$ (61,539)	\$ 861,336
State House Note	2.12%	73,200	-	(36,600)	36,600
Total Water Activities		996,075	-	(98,139)	897,936
<i><u>Business-Type Activities - Sewer:</u></i>					
State House Note	2.12%	32,000	-	(16,000)	16,000
Total Sewer Activities		32,000	-	(16,000)	16,000
Total Business-Type Activities, net		\$ 1,028,075	\$ -	\$ (114,139)	\$ 913,936

Payments on general long-term debt bonds and notes due in future years consist of the following:

Year Ending June 30	Direct Borrowings and Placements	
	Principal	Interest
	<i>Governmental Activities</i>	
2022	\$ 32,500	\$ 6,160
2023	32,500	5,120
2024	32,500	4,080
2025	32,500	3,040
2026	32,500	2,000
2027-2031	30,000	960
Total	<u>\$ 192,500</u>	<u>\$ 21,360</u>
	<i>Business-Type Activities - Water</i>	
2022	\$ 98,139	\$ 43,843
2023	61,539	39,990
2024	61,539	36,913
2025	61,539	33,836
2026	61,539	30,759
2027-2031	307,695	107,640
2032-2036	245,946	30,726
Total	<u>\$ 897,936</u>	<u>\$ 323,707</u>
	<i>Business-Type Activities - Sewer</i>	
2022	\$ 16,000	\$ 339
Total	<u>\$ 16,000</u>	<u>\$ 339</u>

Serial State House Notes

The Town's has notes from direct borrowings and placements for \$450,566 issued on July 17, 2015 paying interest at 2.12% and \$322,500 issued on July 15, 2016 paying interest at 3.2% under the Commonwealth of Massachusetts Serial State House Notes Program. The Notes are certified by the Massachusetts Department of Revenue Director of Accounts as a low-cost alternative for the issuance of debt for municipal issuers.

U.S. Department of Agriculture (USDA)

The Town's has an outstanding note from direct borrowings and placements issued to the USDA under the Rural Economic Development Loan and Grant Program. The note was issued for \$2,400,000 on May 1, 1997, payable at a 5.0% interest rate with annual payments through May 1, 2035.

Authorized and Unissued Debt – At June 30, 2021, the Town had authorized, and unissued debt as follows:

<u>Project</u>	<u>Amount</u>
<i>Governmental:</i>	
School roofs and windows	\$ 2,147,019
Repairs CT river	24,000
Route 5 infrastructure improvement	1,600,000
Other	126,910
Total Authorized and Unissued	<u>\$ 3,897,929</u>

G. Capital Leases

The Town has entered into long-term leases for the purchase of various vehicles. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

Assets acquired through capital leases are as follows:

	<u>Amount</u>
Vehicles	\$ 1,344,394
Ambulance	334,860
Rear lift school bus	59,999
Less: accumulated depreciation	(930,013)
Total	<u>\$ 809,240</u>

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

<u>Fiscal Year Ended June 30,</u>	<u>Amount</u>
2022	\$ 227,036
2023	227,035
2024	195,586
2025	182,631
2026	53,631
Total minimum lease payments	885,919
Less: amounts representing interest	(80,982)
Present value of minimum lease payments	<u>\$ 804,937</u>

III. Other Information

A. Retirement System

Plan Description – The Town contributes to the Hampshire County Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan established under Chapter 32 of the Commonwealth of Massachusetts General Laws (MGL) and administered by the Hampshire County Retirement Board. Stand-alone audited financial statements for the year

ended December 31, 2020 were issued and may be obtained by writing to the Hampshire County Retirement System, 99 Industrial Drive, Suite 2, Northampton, Ma. 01060-2326.

Membership – Membership in the System as of December 31, 2020, was as follows:

Retired participants and beneficiaries receiving benefits	1,406
Inactive participants with a vested right to retirement benefits or entitled to a return of their employee contributions	774
Active participants	<u>1,976</u>
Total	<u>4,156</u>

Benefit Terms – The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth’s state law during those years are borne by the Commonwealth and are deposited into the pension fund directly. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

Membership in the System is mandatory for all full-time employees and non-seasonal, part-time employees who, in general, regularly work more than twenty hours per week. Members of the System do not participate in the federal Social Security retirement system.

Massachusetts contributory retirement system benefits are uniform, with certain exceptions, from retirement system to retirement system. The System provides for retirement allowance benefits up to a maximum of 80% of a participant’s highest three-year or five-year average annual rate of regular compensation, depending on the participant’s date of hire. Benefit payments are based upon a participant’s age, length of creditable service, level of compensation and group classification.

Contributions Requirements – The System has elected provisions of Chapter 32, Section 22D (as amended) of Massachusetts General Laws, which require that a funding schedule be established to fully fund the pension plan by June 30, 2040 (the System’s current funding schedule allows for full funding by June 30, 2033). Under provisions of this law, participating employers are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method.

The Town contributed \$636,308 to the System in fiscal year 2021, which was the actuarially determined contribution requirement for the fiscal year. The Town’s contributions as a percentage of covered payroll of \$2,166,698 was approximately 29.4% in fiscal year 2021.

Net Pension Liability – At June 30, 2021, the Town reported a liability of 4,351,375 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. These figures were updated by the independent actuary to December 31, 2020. There were no material changes made in this update to the actuarial assumptions (see below) nor were there any material changes to the System’s benefit terms since the actuarial valuation.

The Town's proportion of the net pension liability is based on a projection of the Town's long-term share of contributions to the System relative to the projected contributions of all employers. The Town's proportion was approximately 2.296% at December 31, 2020.

Pension Expense – The Town recognized \$440,457 in pension expense in the statement of activities in fiscal year 2021.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual earnings	\$ -	\$ 490,935
Changes in assumptions	366,938	100,089
Changes in proportion differences	394,950	422,067
Differences between expected and actual experience	-	122,431
	\$ 761,888	\$ 1,135,522

The deferred outflows of resources and deferred inflows of resources are expected to be recognized in the Town's pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2021	\$ (130,077)
2022	(25,581)
2023	(191,768)
2024	(73,087)
2025	46,879
thereafter	-
Total	\$ (373,634)

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 plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates and the member rate. Based on those assumptions, the Retirement System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Actuarial Valuation – The measurement of the System's total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2020. The significant actuarial assumptions used in the January 1, 2020 actuarial valuation included:

Investment rate of return	Full prefunding: 7.15% per year, net of investment expenses
Discount Rate	7.15%
Inflation	2.20%
Salary Increases	Group 1: 6% - 4.25%, Group 4: 7% - 4.75%; based on service years
Cost of Living Adjustment	3.50%
Pre and Post Retirement Mortality	RP-2014 Employee Mortality Table projected generationally with Scale BB - base year 2018
Disabled Mortality	RP-2014 Employee Mortality Table projected generationally with Scale BB - base year 2018

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocations and projected arithmetic real rates of return for each major asset class after deducting inflation, but before investment expenses, are summarized in the following table:

Asset Class	Target Allocation	Expected Investment Rate of Return
Domestic Equity	25.00%	4.30%
International equities	13.50%	4.40%
Emerging international equities	7.00%	6.30%
Private equity	11.00%	7.90%
Core fixed income	15.00%	0.30%
Value add fixed income	13.50%	2.70%
Real estate	13.00%	4.20%
Cash	2.00%	-0.30%
	100.00%	

Sensitivity Analysis – The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate as well as the Town’s proportionate share of the net pension liability using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Discount Rate			
	Current Rate	1% lower	Current	1% greater
Net Pension Liability	7.15%	\$ 5,975,459	\$4,351,375	\$2,979,803

Massachusetts Teachers' Retirement System – Teachers and certain administrative employees of the Town's school department participate in the Massachusetts Teachers' Retirement System ("MTRS"), a cost-sharing multiple employer defined benefit pension plan. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. Like the Retirement System, MTRS was established under Chapter 32 of Massachusetts General Laws. The Commonwealth's legislature has the authority to amend or modify the MTRS's funding policies.

The Commonwealth is a nonemployer contributor to the MTRS and is legally responsible by statute for all actuarially determined employer contributions and future benefit requirements of 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*.

For the year ended June 30, 2021, the Commonwealth contributed \$718,707 to the MTRS on behalf of the Town. The Town's proportionate share of the collective MTRS net pension liability at this reporting date was 0.046266%, which was based on the actual, actuarially determined contribution made by the Commonwealth on behalf of the Town as a percentage of the total annual contribution made by the Commonwealth on behalf of all employers.

The table below presents the Town's proportionate share of the following:

	<u>Commonwealth Portion</u>	<u>Paid (or assumed) On Behalf of the Town</u>	<u>Town Portion</u>
Net pension liability	\$ 13,206,481	\$ (13,206,481)	\$ —
Pension expense	1,631,190	(1,631,190)	—

The Town has recognized intergovernmental revenue and pension expense of \$1,631,190 associated with this arrangement.

B. Other Postemployment Benefits (OPEB)

The Town administers a single employer defined benefit healthcare plan (the "OPEB Plan"). The OPEB Plan provides health, dental and life insurance benefits (other postemployment benefits) to current and future retirees, their dependents and beneficiaries in accordance with Section 20 of Massachusetts General Law Chapter 32B.

The Town, however, has not met all requirements under GASB 74 to present this arrangement as a plan and thus the plan does not qualify as a plan under generally accepted accounting principles.

Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law and Town ordinance. All benefits are provided through the Town's premium-based self-insurance program.

OPEB Plan disclosures that impact the Town's net OPEB liability using a measurement date of June 30, 2021 are summarized as follows:

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of the July 1, 2020 actuarial valuation date:

Active employees	114
Inactive employees	<u>29</u>
Total	<u><u>143</u></u>

Contributions – The contribution requirements of Plan members and the Town are established and may be amended by the Town, through negotiation with the Town employee unions. Retirees contribute a certain percent of the calculated contribution through pension benefit deductions. The remainder of the cost is funded by the Town. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis plus additional contributions which vary annually. The costs of administering the Plan are paid by the Town. For the year ended June 30, 2021 (the measurement date) the Town’s average contribution rate was 1.75% of covered payroll.

The total OPEB liability in the most recent actuarial valuation was determined using the following key actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Investment rate of return	2.18%
Municipal bond rate	2.18%
Discount Rate	2.18%, net of OPEB plan investment expense including inflation.
Inflation	3.00%
Health Care Trend Rate	8.0% decreasing 0.5% per year until 5.0%
Mortality	RP-2016 with MP 2020 projection
Actuarial Cost Method	Individual entry age normal

Key Assumption Changes for fiscal year ended June 30, 2021

- Mortality tables updated from RP-2014 to RP-20146
- Discount rate reduced to 2.18% from 2.16%

Net OPEB Liability – The Town’s net OPEB liability was measured as of June 30, 2021 using an actuarial valuation as of July 1, 2020. The components of the net OPEB liability of the Town were as follows:

Total OPEB Liability	\$ 10,528,339
Plan fiduciary net position	-
Net OPEB liability	\$ 10,528,339
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%

Sensitivity Analyses – The following presents the Town’s net OPEB liability as well as what the Town’s net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate as well as if the healthcare cost trend rates are 1% lower or higher than the current healthcare cost trend rates:

	Discount Rate			
	Current Rate	1% lower	Current	1% greater
Net OPEB Liability	2.18%	\$ 12,190,364	\$ 10,528,339	\$ 8,866,315

	Health Care Trend Rate			
	Current Rate	1% lower	Current	1% greater
Net OPEB Liability	8% reducing to 5%	\$ 8,327,708	\$ 10,528,339	\$ 13,256,832

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2020	\$ 9,272,328	\$ -	\$ 9,272,328
Changes for the year:			
Service cost	757,513	-	757,513
Interest	245,106	-	245,106
Difference between expected and actual experience	(1,228,856)	-	(1,228,856)
Changes of benefits terms	800,128	-	800,128
Change in assumptions	797,717	-	797,717
Benefit payments	(115,597)	-	(115,597)
Net changes	1,256,011	-	1,256,011
Balances at June 30, 2021	\$ 10,528,339	\$ -	\$ 10,528,339

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB –The Town recognized OPEB expense of \$1,747,444. Deferred outflows of resources and deferred inflows of resources related to OPEB were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 118,671	\$ 1,443,641
Changes in assumptions	870,174	-
	<u>\$ 988,845</u>	<u>\$ 1,443,641</u>

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

June 30,	
2022	\$ (55,303)
2023	(55,303)
2024	(55,303)
2025	(55,303)
2026	(55,303)
Thereafter	<u>(178,281)</u>
	<u>\$ (454,796)</u>

C. Risk Financing

The Town is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

The Town is a member of the Hampshire County Group Insurance Trust, which is a health insurance risk-pool consisting of over 60 governmental units. The Trust offers a variety of premium based plans to its members with each participating governmental unit charged a premium for coverage based on rates established by the Group. The Town is obligated to pay the Trust its required premiums and, in the event the group is terminated, it proportionate share of a deficit, should one exist.

D. Commitments and Contingencies

General - The Town is party to certain other legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability, if any, at June 30, 2021, cannot be ascertained, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2021.

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

Arbitrage - The Town is subject to Federal arbitrage laws regarding its long-term borrowing agreements. Failure to comply with the rules could result in penalties. The amount of penalties, if any, cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

E. Landfill Closure and Post-Closure Care Costs

The Town's landfill is closed, and a final cover has been installed in accordance with Federal and State laws and regulations. Those laws and regulations require the Town to perform certain maintenance and monitoring functions ("post-closure care") at the site for 30 years after the landfill cover is installed. In accordance with generally accepted accounting principles, the estimated remaining cost of monitoring; \$36,750 has been recorded as a governmental activities' liability; actual costs may be higher due to inflation, and changes in technology or regulations.

F. Implementation of New GASB Pronouncements

Current Year Implementations

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of the Statement was to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The provisions of this Statement became effective for the Town in fiscal year 2021. In connection with the adoption of this accounting standard, certain previously reported agency balances are now reported in the governmental funds and government-wide financial statements. Refer to Note V for the financial impact of the adoption of this accounting standard.

In August 2018, the GASB issued GASB Statement No. 90, *Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61*. The objective of this Statement was to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The provisions of this Statement became effective for the Town in fiscal year 2021. The adoption of this standard did not have an impact on the Town's financial statements.

In March 2020, the GASB issued GASB Statement No. 93, *Replacement of Interbank Offered Rates*. In addition to accounting and financial reporting implications that result from the replacement of an interbank offered rate (which become effective in fiscal year 2022), this Statement eliminated the use of LIBOR as an appropriate benchmark interest rate for derivative instruments that hedge interest rate risk of taxable debt for reporting periods effective fiscal year 2021. The adoption of this standard did not have an impact on the Town's financial statements.

Future Year Implementations

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefines the manner in which long-term leases are accounted and reported. As amended, the provisions of this Statement are effective for financial reporting periods beginning after June 15, 2021 (fiscal year 2022). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement establishes accounting requirements for interest costs incurred before the end of a construction period. As amended, the provisions of this

Statement are effective for financial reporting periods beginning after December 15, 2020 (fiscal year 2022). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

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

In March 2020, the GASB issued GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate. The reporting provisions of this Statement are effective for financial reporting periods beginning after June 15, 2020 (fiscal year 2022). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

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

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

In June 2020, the GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The objective of this Statement is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2021 (fiscal year 2022). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

TOWN OF HATFIELD, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2021

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

	Year Ended June 30,						
	2021	2020	2019	2018	2017	2016	2015
Town's proportion of the net pension liability (asset)	2.296%	2.437%	2.584%	2.590%	2.378%	2.393%	2.290%
Town's proportionate share of the net pension liability (asset)	\$ 451,375	\$ 4,585,525	\$ 5,572,444	\$ 4,810,140	\$ 5,227,570	\$ 4,969,077	\$ 4,271,266
Town's covered payroll	\$ 2,166,698	\$ 2,125,045	\$ 2,175,547	\$ 1,988,125	\$ 1,876,755	\$ 1,936,084	\$ 1,873,935
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	20.8%	215.8%	256.1%	241.9%	278.5%	256.7%	227.9%
Plan fiduciary net position as a percentage of the total pension liability	69.2%	64.3%	58.9%	63.1%	55.6%	55.3%	58.1%

SCHEDULE OF THE TOWN CONTRIBUTIONS TO PENSION PLAN

	Year Ended June 30,						
	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 636,308	\$ 557,726	\$ 583,924	\$ 552,436	\$ 468,350	\$ 445,693	\$ 399,206
Contributions in relation to the actuarially determined contribution	<u>636,308</u>	<u>557,726</u>	<u>583,924</u>	<u>552,436</u>	<u>468,350</u>	<u>445,693</u>	<u>399,206</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 2,166,698	\$ 2,125,045	\$ 2,175,547	\$ 1,988,125	\$ 1,876,755	\$ 1,936,084	\$ 1,873,935
Contributions as a percentage of covered payroll	29.4%	26.2%	26.8%	27.8%	25.0%	23.0%	21.3%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditors' report.

TOWN OF HATFIELD, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2021

SCHEDULE OF THE COMMONWEALTH'S COLLECTIVE SHARE OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHER'S RETIREMENT SYSTEM

	Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
Commonwealth's proportion of the collective net pension liability (asset)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Town's proportion of the collective net pension liability (asset)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Commonwealth's proportionate share of the net pension liability (asset)	\$ 28,544,844	\$ 25,214,020	\$ 23,711,289	\$ 22,885,391	\$ 22,357,928	\$ 20,489,643	\$ 15,896,354
Commonwealth's actuarially determined contribution	\$ 1,553,433	\$ 1,443,710	\$ 1,314,783	\$ 1,235,515	\$ 1,124,583	\$ 1,021,930	\$ 937,379

Contributions to MTRS are the responsibility of the Commonwealth of Massachusetts.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditor's report.

TOWN OF HATFIELD

**REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
YEAR ENDED JUNE 30, 2021**

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

	Year ended June 30		
	2021	2020	2019
Total OPEB liability:			
Service cost	\$ 757,513	\$ 749,112	\$ 686,000
Interest	245,106	239,698	212,898
Change in assumptions	797,717	207,116	-
Change in benefit terms	800,128	-	-
Difference between expected and actual expense	(1,228,856)	(451,704)	178,005
Benefit payments	(115,597)	(126,466)	(106,167)
Net change in total OPEB liability	1,256,011	617,756	970,736
Total OPEB liability - beginning of year	9,272,328	8,654,572	7,683,836
Total OPEB liability - end of year (a)	<u>\$ 10,528,339</u>	<u>\$ 9,272,328</u>	<u>#####</u>
Plan fiduciary net position:			
Contributions - employer	\$ 115,597	\$ 126,466	\$ 106,167
Net investment income	-	-	-
Benefit payments	(115,597)	(126,466)	(106,167)
Net change in Plan fiduciary net position	-	-	-
Plan fiduciary net position - beginning of year	-	-	-
Plan fiduciary net position - end of year (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability - end of year (a) - (b)	<u>\$ 10,528,339</u>	<u>\$ 9,272,328</u>	<u>#####</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%
Covered payroll	\$ 6,600,000	\$ 6,545,323	#####
Net OPEB liability as a percentage of covered-employee payroll	159.52%	141.66%	137.12%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

See independent auditors' report.

TOWN OF HATFIELD

**REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
YEAR ENDED JUNE 30, 2021**

**SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS**

	Year ended June 30		
	2021	2020	2019
Actuarially-determined contribution	\$ 1,361,332	\$ 1,319,601	\$ 1,193,437
Contributions in relation to the actuarially-determined contribution	(115,597)	(126,466)	(106,167)
Contribution deficiency (excess)	<u>\$ 1,245,735</u>	<u>\$ 1,193,135</u>	<u>\$ 1,087,270</u>
Covered-employee payroll	\$ 6,600,000	\$ 6,545,323	\$ 6,311,454
Contribution as a percentage of covered payroll	1.75%	1.93%	1.68%
Investment rate of return	2.18%		
Municipal Bond Rate	2.18%		
Single Equivalent Discount Rate	2.18%		
Inflation	3.00%		
Healthcare cost trend rates	8% decreasing to 5% ultimate		
Salary increases	3.00%		
Actuarial Cost Method	Individual Entry Age Normal		
Asset Valuation Method	Market		

**SCHEDULE OF INVESTMENT RETURNS
LAST 10 FISCAL YEARS**

	Year ended June 30		
	2021	2020	2019
Annual money-weighted rate of return, net of investment expense	0.00%	0.00%	0.00%

Note: These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

TOWN OF HATFIELD, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Encumbrances	Actual	Variance Positive (Negative)
	Original Budget	Final Budget	Budgetary Amounts		Budgetary Adjusted	
REVENUES						
Real estate and personal property taxes, net	\$ 8,184,332	\$ 8,184,332	\$ 8,413,215	\$ -	\$ 8,413,215	\$ 228,883
Intergovernmental	1,270,279	1,270,279	1,311,301	-	1,311,301	41,022
Motor vehicle and other excises	610,500	610,500	660,201	-	660,201	49,701
Departmental and other revenue	80,000	80,000	88,214	-	88,214	8,214
License and permits	104,000	104,000	136,004	-	136,004	32,004
Penalties and interest on taxes	65,000	65,000	138,143	-	138,143	73,143
Fines and forfeitures	55,942	55,942	65,133	-	65,133	9,191
Investment income	20,000	20,000	6,445	-	6,445	(13,555)
Total Revenues	<u>10,390,053</u>	<u>10,390,053</u>	<u>10,818,656</u>	<u>-</u>	<u>10,818,656</u>	<u>428,603</u>
EXPENDITURES						
General government	1,341,639	1,139,130	1,001,386	35,458	1,036,844	102,286
Public safety	640,605	660,195	588,644	15,218	603,862	56,333
Education	5,411,350	5,411,350	5,028,588	160,577	5,189,165	222,185
Public works	1,098,520	1,163,551	1,184,964	60,955	1,245,919	(82,368)
Health and human services	187,433	187,433	155,609	3	155,612	31,821
Culture and recreation	123,964	123,964	121,276	115	121,391	2,573
State and county tax assessments	442,873	442,873	448,987	-	448,987	(6,114)
Pension and other fringe Benefits	1,344,458	1,285,395	1,208,878	-	1,208,878	76,517
Debt service	90,057	90,057	63,294	-	63,294	26,763
Total Expenditures	<u>10,680,899</u>	<u>10,503,948</u>	<u>9,801,626</u>	<u>\$ 272,326</u>	<u>10,073,952</u>	<u>429,996</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	94,604	94,604	94,604		94,604	-
Transfers out	(568,073)	(1,208,428)	(1,491,678)		(1,491,678)	(283,250)
Total Other Financing Sources (Uses)	<u>(473,469)</u>	<u>(1,113,824)</u>	<u>(1,397,074)</u>		<u>(1,397,074)</u>	<u>(283,250)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE						
	<u>(764,315)</u>	<u>(1,227,719)</u>	<u>(380,044)</u>		<u>(652,370)</u>	<u>575,349</u>
Other budget items:						
Prior year appropriation deficits	(41,706)	(41,706)				
Free cash appropriations	348,000	811,404				
Prior year encumbrances and carryovers	269,185	269,185				
Miscellaneous items	(11,992)	(11,992)				
Total other budget items	<u>563,487</u>	<u>1,026,891</u>				
Net budget	<u>\$ (200,828)</u>	<u>\$ (200,828)</u>				

See accompanying notes to financial statements.

TOWN OF HATFIELD, MASSACHUSETTS

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2021**

I. Budgetary Basis of Accounting

Budgetary Information – An annual budget is legally adopted for the General Fund. Financial orders are initiated by department heads, recommended by the Select Board and approved by the Town Meeting members at the Town’s annual meeting. Expenditures may not legally exceed appropriations at the department level. Department heads may transfer, without Town meeting approval, appropriation balances from one expenditure account to another within their Department or budget. The Town Meeting, however, must approve any transfer of unencumbered appropriation balances between departments. At the close of each fiscal year, unencumbered appropriation balances lapse or reverts to unreserved fund balance.

The Town adopts an annual budget for the general fund in conformity with the guidelines described above. During fiscal year 2021, the Town did not make any material supplemental budgetary appropriations during the year.

The Town Accountant has the responsibility to ensure that budgetary control is maintained in the manner in which the appropriations were voted at Town Meeting. Budgetary control is exercised through the Town’s accounting system.

Budgetary-to-GAAP Reconciliation – The Town’s general fund is prepared on a basis other than GAAP. The difference between the budgetary basis of accounting and GAAP is presented in the table below:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 10,818,656
Stabilization revenue	\$ -	\$ 1,397	1,397
On behalf payments	1,631,190	-	1,631,190
Revenues on a GAAP basis	<u>\$ 1,631,190</u>	<u>\$ 1,397</u>	<u>\$ 12,451,243</u>
Expenditures on a budgetary basis			\$ 9,801,626
On behalf payments	\$ 1,631,190	\$ -	1,631,190
Expenditures on a GAAP basis	<u>\$ 1,631,190</u>	<u>\$ -</u>	<u>\$ 11,432,816</u>
Other financing sources (uses) on a budgetary basis			\$ (1,397,074)
Transfer adjustment for stabilization funds	\$ -	\$ 2,223	2,223
Other financing sources (uses) on a GAAP basis	<u>\$ -</u>	<u>\$ 2,223</u>	<u>\$ (1,394,851)</u>