

TOWN OF MONTEREY, MASSACHUSETTS
Report on the Examination of Basic Financial Statements
For the Year Ended June 30, 2021

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TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| TABLE OF CONTENTS | 2 |
| INDEPENDENT AUDITOR’S REPORT ON: | |
| Basic Financial Statements | 3-4 |
| MANAGEMENT’S DISCUSSION AND ANALYSIS | 5-11 |
| BASIC FINANCIAL STATEMENTS | 12 |
| Statement of Net Position | 13 |
| Statement of Activities | 14 |
| Balance Sheet - Governmental Funds | 15 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds | 16 |
| Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Position | 17 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 18 |
| Statement of Revenues and Expenditures – Budgetary Basis – (NON-GAAP) – Budget and Actual – General Fund | 19 |
| Reconciliation of Revenues and Expenditures from Budgetary Basis to GAAP Basis | 20 |
| Notes to the Financial Statements | 21-45 |
| REQUIRED SUPPLEMENTARY INFORMATION | 46 |
| Pension Plan Schedules | 47-48 |
| Other Post Employment Benefit Plan Schedules | 49-51 |
| SUPPLEMENTARY SCHEDULES | 52 |
| Schedule of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds | 53-54 |
| Schedule of Real Estate and Personal Property Taxes | 55 |
| Schedule of Motor Vehicle Excise Taxes | 56 |
| Schedule of Tax Liens | 57 |

Independent Auditor's Report

To the Honorable Select Board
Town of Monterey, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Monterey, Massachusetts, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Monterey, Massachusetts' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Monterey, Massachusetts, as of June 30, 2021, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance 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, other post employment benefit and pension plan schedules as listed on the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Monterey, Massachusetts' basic financial statements. The Supplementary Schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements.

The Supplementary Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2022, on our consideration of the Town of Monterey Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Monterey, Massachusetts' internal control over financial reporting and compliance.

Scanlon & Associates, LLC
South Deerfield, Massachusetts

August 25, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Monterey, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Town's financial performance.

Financial Highlights

- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$9,240,815 (net position) for the fiscal year reported. This compares to the previous year when assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$8,249,020, or an increase of \$991,795 (12%).
- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$1,784,243, an increase of \$795,514 (80%) in comparison with prior year.
- The General Fund's total fund balance increased \$195,959 (9%) to \$2,438,591. The ending General fund balance is 53% of revenues and 55% of expenditures and transfers out.
- Total liabilities of the Town decreased by \$813,450 (25%) to \$2,460,753 during the fiscal year. This change was mainly the result of net decreases in the notes payable of \$442,735, in the pension liability of \$196,375 and in the bonds payable of \$212,386.
- The Town had General fund free cash certified by the Department of Revenue in the amount of \$799,465. The key factors that attributed to the free cash amount for fiscal year 2021 were unexpended/unencumbered appropriations of \$282,400, excess over budget – State and local receipts of \$79,300 and prior year free cash not appropriated of \$22,400.

Overview of the Financial Statements

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

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

The *statement of activities* presents information showing how the government's net position changed during the most recent 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 that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, public works, education, health and human services, culture and recreation, employee benefits and insurance, state assessments and interest. The Town does not have any functions classified as business-type activities.

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

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

The Town of Monterey adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

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

Financial Highlights

Statement of Net Position Highlights

| | Governmental Activities | | |
|---|-------------------------|---------------------|-------------------|
| | 2021 | 2020 | Change |
| Assets: | | | |
| Current assets | \$ 3,384,353 | \$ 3,596,216 | \$ (211,863) |
| Capital assets | 8,620,392 | 8,162,534 | 457,858 |
| Total assets | 12,004,745 | 11,758,750 | 245,995 |
| Deferred Outflows of Resources | 180,486 | 183,287 | (2,801) |
| Liabilities: | | | |
| Current liabilities (excluding debt) | 135,049 | 195,618 | (60,569) |
| Current debt | 1,242,725 | 1,747,846 | (505,121) |
| Noncurrent liabilities (excluding debt) | 932,979 | 1,030,739 | (97,760) |
| Noncurrent debt | 150,000 | 300,000 | (150,000) |
| Total liabilities | 2,460,753 | 3,274,203 | (813,450) |
| Deferred Inflows of Resources | 483,663 | 418,814 | 64,849 |
| Net Position: | | | |
| Net Investment in Capital Assets | 7,227,667 | 6,114,688 | 1,112,979 |
| Restricted | 718,857 | 1,079,461 | (360,604) |
| Unrestricted | 1,294,291 | 1,054,871 | 239,420 |
| Total net position | \$ 9,240,815 | \$ 8,249,020 | \$ 991,795 |

Financial Highlights

Statement of Activities Highlights

| | Governmental Activities | | |
|---|-------------------------|---------------------|--------------------|
| | 2021 | 2020 | Change |
| Program Revenues: | | | |
| Charges for services | \$ 315,986 | \$ 300,400 | \$ 15,586 |
| Operating grants and contributions | 1,278,443 | 1,657,945 | (379,502) |
| Capital grants and contributions | 567,622 | 1,403,503 | (835,881) |
| General Revenues: | | | |
| Property taxes | 3,932,351 | 3,931,983 | 368 |
| Motor vehicle excise and other taxes | 178,182 | 154,894 | 23,288 |
| Penalties and interest on taxes | 21,444 | 18,411 | 3,033 |
| Nonrestricted grants | 307,439 | 299,695 | 7,744 |
| Unrestricted investment income | 3,197 | 11,197 | (8,000) |
| Miscellaneous | 1,238 | 341 | 897 |
| Total revenues | 6,605,902 | 7,778,369 | (1,172,467) |
| Expenses: | | | |
| General government | 1,430,174 | 2,027,291 | (597,117) |
| Public safety | 672,763 | 616,674 | 56,089 |
| Public Works | 1,216,674 | 1,105,445 | 111,229 |
| Education | 1,652,025 | 1,659,598 | (7,573) |
| Health and human services | 49,108 | 42,020 | 7,088 |
| Culture and recreation | 239,413 | 201,642 | 37,771 |
| Employee benefits and insurance | 327,503 | 360,616 | (33,113) |
| State assessments | 1,769 | 1,838 | (69) |
| Interest | 24,678 | 52,258 | (27,580) |
| Total expenses | 5,614,107 | 6,067,382 | (453,275) |
| Change in net position | 991,795 | 1,710,987 | (719,192) |
| Net position - beginning of year | 8,249,020 | 6,538,033 | 1,710,987 |
| Net position - end of year | \$ 9,240,815 | \$ 8,249,020 | \$ 991,795 |

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$9,240,815 at the close of fiscal year 2021.

Net position of \$7,227,667 (78%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net position, \$718,857 (8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$1,294,291 (14%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

The governmental activities net position increased by \$991,795 (12%) during the current fiscal year. The key elements of the increases in net position for fiscal year 2021 are attributed to this year's changes in the governmental funds of \$795,514 and the acquisition of \$984,579 in new capital assets exceeding the depreciation expense (normally spread out over the useful life of the asset) for the year of \$457,858 and to the net decreases in recognizing the change in unavailable revenue of \$521,541.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing financing requirements. In particular, the general fund *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 end of the current fiscal year, governmental funds reported combined ending fund balances of \$1,784,243, an increase of \$795,514 (80%) in comparison with the prior year.

The breakdown of the governmental fund balances is as follows:

- Restricted fund balance – \$434,777 (24%).
- Assigned fund balance – \$849,684 (48%).
- Unassigned fund balance – \$499,782 (28%).

Major Governmental Funds

The *General Fund* is the Town's primary operating fund and the largest source of day-to-day operations. At the end of the fiscal year, the *General Fund* reported a fund balance of \$2,438,591 increasing \$195,959 (9%) from the prior year. Of the \$2,438,591, the unassigned amount is \$1,588,907 (65%) and the assigned amount is \$849,684 (35%). General fund revenues were \$4,476 (.1%) more than the prior fiscal year while expenditures increased \$176,023 (4%). Other activity in the General fund is net transfers out to other funds of \$710.

The main components of the increases in general fund revenues were related to increases in property taxes of \$13,420 (.3%) and in excise and other taxes of \$38,200 (27%); and a decrease in licenses, permits and fees of \$49,921 (22%) from the prior year.

The major changes with the general fund expenditures from the prior fiscal year were as follows:

- Increase in Public works expenditures of \$210,351 (27%).
- Increase in Culture and recreation expenditures of \$22,620 (15%).
- Decrease in Employee benefits and insurance expenditures of \$21,979 (6%).
- Decrease in Debt Service (principal and interest) of \$27,245 (8%).

The *Library Construction Fund* is used to account for the designing, renovations and construction of an addition to the Monterey Library. The fund has a deficit balance of \$1,089,125 shows an increase of \$429,199 (28%) in total operations. This change was attributed to the governmental receipts of \$371,135, expenditures of \$13,536 and proceeds from the issuance of notes of \$71,600. The Town has also issued bond anticipation notes of \$1,092,725 which is not reflected in the balance. Permanent financing will be done once the project nears completion which will eliminate the deficit.

The *Community Development Block Grant (CDBG) Fund* is a special revenue fund used to account for the accumulation of resources for the small cities program (mainly housing rehabilitation) in the area. The fund has a balance of \$415 and shows an increase of \$48 attributed to the revenues exceeding the expenditures during the current fiscal year.

The *Public Works Infrastructure Grants Fund* is a special revenue fund used to account for the accumulation of resources for the resurfacing of a road. The fund has a balance of \$483 attributed to revenues matching expenditures during the current fiscal year.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2021 was \$5,323,266. This is an increase of \$423,339 (9%) over the previous year's budget.

There was an increase between the original budget and the final amended budget. The change is attributed to adjustments voted at the Special Town Meeting in October 2020 and the Annual Town Meeting in May 2021 for various budget operating line items.

General fund expenditures were less than budgeted by \$883,078. Of the \$883,078 in under budget expenditures, \$600,669 has been carried over to fiscal year 2022.

There is a negative variance in investment income of \$2,384 as revenues did not meet budget expectations.

Overall, the variance with the final budget was a positive \$434,017 consisting of a revenue surplus of \$151,608 and an appropriation surplus of \$282,409.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental activities as of June 30, 2021 amounts to \$8,620,392.

The investment in capital assets includes land, construction in progress, buildings and renovations, machinery, equipment and other and infrastructure.

Major capital events during the current fiscal year in the governmental type funds included the following:

- Police equipment purchase for \$39,912.
- Fire Station improvement for \$21,895.
- Highway vehicle purchase for \$140,000.
- Road infrastructure improvements for \$747,179.
- Library renovations for \$35,593.

Debt Administration. As of June 30, 2021, the Town's outstanding governmental long-term debt totaled \$300,000 of which \$200,000 is for departmental vehicles and equipment and \$100,000 is for Transfer Station improvements.

The governmental activity currently has an outstanding bond anticipation note for \$1,092,725 for the library construction project.

Please refer to notes 3D, 3F and 3G for further discussion of the major capital assets and debt activity.

Next Year's Annual Town Meeting

The Town of Monterey operates under the "Open Meeting" concept where each voter has an equal vote in adopting of Town budgets and appropriations. The financial statements for June 30, 2021 do not reflect the fiscal year 2022 Town Meeting action with exception of the fund balance (free cash) amount used to fund the 2022 budget.

The Annual Town Meeting on May 1, 2021 authorized the fiscal year 2022 operating and capital budget as follows:

| | |
|-----------------------------|---------------------|
| From the tax levy | \$ 4,521,859 |
| From Other Available Funds: | |
| General Fund: | |
| Unassigned fund balance: | |
| Free cash | <u>249,015</u> |
| | <u>\$ 4,770,874</u> |

Requests for Information

This financial report is designed to provide a general overview of the Town of Monterey's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant, Town Hall, 435 Main Road, Monterey, Massachusetts 01245.

BASIC FINANCIAL STATEMENTS

TOWN OF MONTEREY, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2021

| | Primary Government |
|---|---------------------------|
| | Governmental |
| | Activities |
| ASSETS | |
| CURRENT: | |
| Cash and Cash Equivalents | \$ 2,819,789 |
| Receivables, net of allowance for uncollectibles: | |
| Property Taxes | 77,037 |
| Tax Liens | 25,156 |
| Excise Taxes | 21,564 |
| Departmental | 3,275 |
| Due from Other Governments | 437,532 |
| Total current assets | 3,384,353 |
| NONCURRENT: | |
| Capital Assets, net of accumulated Depreciation | |
| Nondepreciable | 395,542 |
| Depreciable | 8,224,850 |
| Total noncurrent assets | 8,620,392 |
| Total Assets | 12,004,745 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred Outflows Related to Pensions | 93,229 |
| Deferred Outflows Related to OPEB | 87,257 |
| Total Deferred Outflows of Resources | 180,486 |
| LIABILITIES | |
| CURRENT: | |
| Warrants and Accounts Payable | 64,616 |
| Accrued Payroll | 51,395 |
| Payroll Withholdings | 6,461 |
| Other | 3,276 |
| Accrued Interest | 9,301 |
| Notes Payable | 1,092,725 |
| Bonds Payable | 150,000 |
| Total current liabilities | 1,377,774 |
| NONCURRENT: | |
| Net OPEB Liability | 789,361 |
| Net Pension Liability | 143,618 |
| Bonds Payable | 150,000 |
| Total noncurrent liabilities | 1,082,979 |
| Total Liabilities | 2,460,753 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred Inflows Related to Pensions | 193,211 |
| Deferred Inflows Related to OPEB | 290,452 |
| Total Deferred Inflows of Resources | 483,663 |
| NET POSITION | |
| Net Investment in Capital Assets | 7,227,667 |
| Restricted for: | |
| Capital Projects | 3,600 |
| Federal & State Grants | 484,682 |
| Permanent Funds: | |
| Expendable | 69,047 |
| Other Purposes | 161,528 |
| Unrestricted | 1,294,291 |
| Total Net Position | \$ 9,240,815 |

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF MONTEREY, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

| | <u>Program Revenues</u> | | | | Net (Expenses) Revenues and and Changes in Net Position |
|--|-------------------------|---------------------------------|---|---|--|
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Primary Government Governmental Activities</u> |
| Primary Government: | | | | | |
| Governmental Activities: | | | | | |
| General Government | \$ 1,430,174 | \$ 51,929 | \$ 1,054,302 | \$ - | \$ (323,943) |
| Public Safety | 672,763 | 182,247 | 57,193 | - | (433,323) |
| Public Works | 1,216,674 | 67,440 | 130,692 | 196,487 | (822,055) |
| Education | 1,652,025 | - | - | - | (1,652,025) |
| Health and Human Services | 49,108 | 14,370 | 28,598 | - | (6,140) |
| Culture and Recreation | 239,413 | - | 7,658 | 371,135 | 139,380 |
| Employee Benefits and Insurance | 327,503 | - | - | - | (327,503) |
| State Assessments | 1,769 | - | - | - | (1,769) |
| Interest | 24,678 | - | - | - | (24,678) |
| Total Governmental Activities | <u>5,614,107</u> | <u>315,986</u> | <u>1,278,443</u> | <u>567,622</u> | <u>(3,452,056)</u> |
| Total Primary Government | <u>\$ 5,614,107</u> | <u>\$ 315,986</u> | <u>\$ 1,278,443</u> | <u>\$ 567,622</u> | <u>(3,452,056)</u> |
| General Revenues: | | | | | |
| Property Taxes | | | | | 3,932,351 |
| Motor vehicle excise and other taxes | | | | | 178,182 |
| Penalties & Interest on Taxes | | | | | 21,444 |
| Grants & Contributions not restricted to specific programs | | | | | 307,439 |
| Unrestricted Investment Income | | | | | 3,197 |
| Miscellaneous | | | | | 1,238 |
| Total General Revenues | | | | | <u>4,443,851</u> |
| | | | | | Change in Net Position |
| | | | | | 991,795 |
| | | | | | Net Position: |
| | | | | | Beginning of year |
| | | | | | 8,249,020 |
| | | | | | End of year |
| | | | | | <u>\$ 9,240,815</u> |

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF MONTEREY, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021**

| | General Fund | Library Construction Fund | CDBG Fund | Public Works Infrastructure Grants Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|---------------------------------|---------------|--|-----------------------------------|--------------------------------|
| Assets: | | | | | | |
| Cash and Cash Equivalents | \$ 2,457,516 | \$ 3,600 | \$ 415 | \$ - | \$ 358,258 | \$ 2,819,789 |
| Receivables, net of allowance for uncollectibles: | | | | | | |
| Property Taxes | 77,037 | - | - | - | - | 77,037 |
| Tax Liens | 25,156 | - | - | - | - | 25,156 |
| Excise Taxes | 21,564 | - | - | - | - | 21,564 |
| Departmental | 396 | - | - | - | 2,879 | 3,275 |
| Due from Other Governments | 4,500 | - | - | 346,911 | 86,121 | 437,532 |
| Due From Other Funds | 65,948 | - | - | - | - | 65,948 |
| Total Assets | \$ 2,652,117 | \$ 3,600 | \$ 415 | \$ 346,911 | \$ 447,258 | \$ 3,450,301 |
| Liabilities: | | | | | | |
| Warrants Payable | \$ 59,303 | \$ - | \$ - | \$ - | \$ 5,313 | \$ 64,616 |
| Accrued Payroll | 46,605 | - | - | - | 4,790 | 51,395 |
| Payroll Withholdings | 6,461 | - | - | - | - | 6,461 |
| Due to Other Funds | - | - | - | 65,948 | - | 65,948 |
| Other | - | - | - | - | 3,276 | 3,276 |
| Notes Payable | - | 1,092,725 | - | - | - | 1,092,725 |
| Total Liabilities | 112,369 | 1,092,725 | - | 65,948 | 13,379 | 1,284,421 |
| Deferred Inflows of Resources - Unavailable Revenue | 101,157 | - | - | 280,480 | - | 381,637 |
| Fund Balance: | | | | | | |
| Restricted | - | - | 415 | 483 | 433,879 | 434,777 |
| Assigned | 849,684 | - | - | - | - | 849,684 |
| Unassigned | 1,588,907 | (1,089,125) | - | - | - | 499,782 |
| Total Fund Balance | 2,438,591 | (1,089,125) | 415 | 483 | 433,879 | 1,784,243 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 2,652,117 | \$ 3,600 | \$ 415 | \$ 346,911 | \$ 447,258 | \$ 3,450,301 |

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF MONTEREY, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

| | General Fund | Library Construction Fund | CDBG Fund | Public Works Infrastructure Grants Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|---------------------------------|----------------|--|-----------------------------------|--------------------------------|
| Revenues: | | | | | | |
| Property Taxes | \$ 3,946,032 | \$ - | \$ - | \$ - | \$ - | \$ 3,946,032 |
| Intergovernmental | 307,439 | 371,135 | 879,212 | 701,637 | 384,946 | 2,644,369 |
| Excise and Other Taxes | 180,892 | - | - | - | - | 180,892 |
| Licenses, Permits, Fees | 177,853 | - | - | - | - | 177,853 |
| Charges for Services | - | - | - | - | 139,371 | 139,371 |
| Interest on Taxes | 21,444 | - | - | - | - | 21,444 |
| Investment Income | 3,197 | - | 48 | - | 977 | 4,222 |
| Other | - | - | - | - | 13,260 | 13,260 |
| Total Revenues | 4,636,857 | 371,135 | 879,260 | 701,637 | 538,554 | 7,127,443 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General Government | 409,420 | - | 879,212 | - | 139,223 | 1,427,855 |
| Public Safety | 496,142 | - | - | - | 155,066 | 651,208 |
| Public Works | 989,925 | - | - | 701,637 | 52,985 | 1,744,547 |
| Education | 1,652,025 | - | - | - | - | 1,652,025 |
| Health and Human Services | 35,678 | - | - | - | 13,430 | 49,108 |
| Culture and Recreation | 171,484 | 13,536 | - | - | 8,252 | 193,272 |
| Employee Benefits and Insurance | 357,613 | - | - | - | - | 357,613 |
| State Assessments | 1,769 | - | - | - | - | 1,769 |
| Debt Service: | | | | | | |
| Principal | 283,986 | - | - | - | - | 283,986 |
| Interest | 42,146 | - | - | - | - | 42,146 |
| Total Expenditures | 4,440,188 | 13,536 | 879,212 | 701,637 | 368,956 | 6,403,529 |
| Excess of Revenues Over (Under) Expenditures | 196,669 | 357,599 | 48 | - | 169,598 | 723,914 |
| Other Financing Sources (Uses): | | | | | | |
| Operating Transfers In | - | - | - | - | 710 | 710 |
| Operating Transfers Out | (710) | - | - | - | - | (710) |
| Proceeds from Issuance of Bonds and Notes | - | 71,600 | - | - | - | 71,600 |
| Total Other Financing Sources (Uses) | (710) | 71,600 | - | - | 710 | 71,600 |
| Net Change in Fund Balances | 195,959 | 429,199 | 48 | - | 170,308 | 795,514 |
| Fund Balances, Beginning of Year | 2,242,632 | (1,518,324) | 367 | 483 | 263,571 | 988,729 |
| Fund Balances, End of Year | \$ 2,438,591 | \$ (1,089,125) | \$ 415 | \$ 483 | \$ 433,879 | \$ 1,784,243 |

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF MONTEREY, MASSACHUSETTS
Reconciliation of the Governmental Funds Balance Sheet
Total Fund Balances to the Statement of Net Position
For the Year Ended June 30, 2021

| | | | |
|--|----|-----------|-------------|
| Total Governmental Fund Balances | | \$ | 1,784,243 |
| Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds. | | | 8,620,392 |
| Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis. | | | 381,637 |
| The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred. | | | (303,177) |
| Long Term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds: | | | |
| Bonds Payable | \$ | (300,000) | |
| Net Other Post Employment Benefits Liability | | (789,361) | |
| Net Pension Liability | | (143,618) | |
| | | \$ | (1,232,979) |
| In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, interest is not reported until due. | | | (9,301) |
| Net Position of Governmental Activities | | \$ | 9,240,815 |

The Notes to the Financial Statements are an integral part of this Statement.

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

Net Change in Fund Balances - Total Governmental Funds \$ 795,514

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 are reported as depreciation expense:

| | | |
|--------------------------|------------------|---------|
| Capital Outlay Purchases | \$ 984,579 | |
| Depreciation | <u>(526,721)</u> | 457,858 |

Revenue in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue. (521,541)

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:

| | | |
|-------------------------------|-----------------|---------|
| Repayment of Debt Principal | 283,986 | |
| Proceeds from Bonds and Notes | <u>(71,600)</u> | 212,386 |

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 governmental funds:

| | | |
|--|---------------|---------------|
| Net Change in Net Other Post Employment Benefits Liability | (98,615) | |
| Net Change in Deferred Outflow/(Inflow) of Resources Related to OPEB | 54,299 | |
| Net Change in Net Pension Liability | 196,375 | |
| Net Change in Deferred Outflow/(Inflow) of Resources Related to Pensions | (121,949) | |
| Net Change in Accrued Interest on Long-Term Debt | <u>17,468</u> | <u>47,578</u> |

Change in Net Position of Governmental Activities \$ 991,795

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF MONTEREY, MASSACHUSETTS
STATEMENT OF REVENUES AND EXPENDITURES - BUDGETARY BASIS -
(NON-GAAP) - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

| | <u>Budgeted Amounts</u> | | | Actual Budgetary Basis | Amounts Carried Forward to Next Year | Variance with Final Budget Positive (Negative) |
|---|----------------------------|--------------------|-----------------|------------------------------|---|---|
| | Amounts Carried | Original Budget | Final Budget | | | |
| | Forward from Prior Year | | | | | |
| Revenues: | | | | | | |
| Property Taxes | \$ - | \$ 3,877,906 | \$ 3,877,906 | \$ 3,950,232 | \$ - | \$ 72,326 |
| Intergovernmental | - | 297,962 | 297,962 | 307,439 | - | 9,477 |
| Excise and Other Taxes | - | 136,000 | 136,000 | 180,892 | - | 44,892 |
| Licenses, Permits, Fees | - | 162,000 | 162,000 | 177,853 | - | 15,853 |
| Interest on Taxes | - | 10,000 | 10,000 | 21,444 | - | 11,444 |
| Investment Income | - | 5,000 | 5,000 | 2,616 | - | (2,384) |
| Total Revenues | - | 4,488,868 | 4,488,868 | 4,640,476 | - | 151,608 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General Government | 46,087 | 510,217 | 559,627 | 409,420 | 39,825 | 110,382 |
| Public Safety | 918 | 538,176 | 539,094 | 496,142 | 352 | 42,600 |
| Public Works | 214,870 | 914,000 | 1,607,870 | 989,925 | 554,158 | 63,787 |
| Education | - | 1,652,284 | 1,652,284 | 1,652,025 | - | 259 |
| Health and Human Services | 182 | 48,066 | 48,248 | 35,678 | 222 | 12,348 |
| Culture and Recreation | 3,696 | 179,251 | 183,269 | 171,484 | 3,761 | 8,024 |
| Employee Benefits and Insurance | - | 404,972 | 404,972 | 357,613 | 2,351 | 45,008 |
| State Assessments | - | 1,769 | 1,769 | 1,769 | - | - |
| Debt Service: | | | | | | |
| Principal | - | 283,986 | 283,986 | 283,986 | - | - |
| Interest | - | 42,147 | 42,147 | 42,146 | - | 1 |
| Total Expenditures | 265,753 | 4,574,868 | 5,323,266 | 4,440,188 | 600,669 | 282,409 |
| Excess of Revenues Over (Under) Expenditures | (265,753) | (86,000) | (834,398) | 200,288 | 600,669 | 434,017 |
| Other Financing Sources (Uses): | | | | | | |
| Operating Transfers In | - | 51,000 | 281,000 | 281,000 | - | - |
| Operating Transfers Out | - | (30,000) | (30,210) | (30,210) | - | - |
| Total Other Financing Sources (Uses) | - | 21,000 | 250,790 | 250,790 | - | - |
| Net Change in Budgetary Fund Balance | (265,753) | (65,000) | (583,608) | \$ 451,078 | \$ 600,669 | \$ 434,017 |
| Other Budgetary Items: | | | | | | |
| Free Cash and Other Reserves | - | 65,000 | 317,855 | | | |
| Prior Year Encumbrances | 265,753 | - | 265,753 | | | |
| Total Other Budgetary Items | 265,753 | 65,000 | 583,608 | | | |
| NET BUDGET | \$ - | \$ - | \$ - | | | |

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF MONTEREY, MASSACHUSETTS
Reconciliation of Revenues and Expenditures
from Budgetary Basis to GAAP Basis
For the Year Ended June 30, 2021

| | Revenues | Expenditures |
|--|-----------------|---------------------|
| Reported on a Budgetary Basis | \$ 4,640,476 | \$ 4,440,188 |
| <i>Adjustments:</i> | | |
| Activity for Stabilization Fund Recorded in the General Fund for GAAP Purposes | 581 | - |
| Net Decrease in Revenue from Recording 60-Day Receipts | (4,200) | - |
| Reported on a GAAP Basis | \$ 4,636,857 | \$ 4,440,188 |

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF MONTEREY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town of Monterey, Massachusetts (the Town) was incorporated in 1735 under the laws of the Commonwealth of Massachusetts. The Town is governed by an elected three-member Select Board.

For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. In fiscal year 2021, it was determined that no entities met the required GASB-39 and GASB-61 criteria for component units.

The Town is responsible for electing committee members of the Southern Berkshire Regional School District. This related organization is excluded from the financial reporting entity because the Town's accountability does not extend beyond the Town electing one board member. Audited financial statements are available from the respective organization. A description of the related organization is as follows:

Southern Berkshire Regional School District – A regional school district made up of five communities to serve and provide a learning environment. The Town is indirectly liable for debt and other expenditures of the District and is assessed annually for its share of operating and capital costs. The regional school district is a separate entity under the Commonwealth of Massachusetts. The District is responsible for both the operating and capital costs related to the school and operates independently from the Town.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

TOWN OF MONTEREY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

Fund financial statements

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and displayed in a single column.

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statements' governmental column, a reconciliation is presented that briefly explains the adjustment necessary to reconcile ending net position and the change in net position.

Major Fund Criteria

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

- If the total assets, liabilities, revenues or expenditures/expenses of an individual governmental fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental funds),

and

- If the total assets, liabilities, revenues or expenditures/expenses of the individual governmental funds are at least 5 percent of the corresponding element for all governmental funds combined.

Additionally, any other governmental 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

Government-Wide Financial Statements

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported.

TOWN OF MONTEREY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Under the modified accrual basis concept, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to be used to pay current liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, excises and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

The Town reports the following major governmental funds:

The *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.

The *library construction fund* is a capital project fund that is used to account for the accumulation of resources to design, renovate and construct an addition to the Monterey Library.

The *community development block grant (CDBG) fund* is a special revenue fund used to account for the accumulation of resources for the small cities program (mainly housing rehabilitation) in the area.

The *public works infrastructure grants fund* is a special revenue fund used to account for the accumulation of resources for the resurfacing of a road.

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

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

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

TOWN OF MONTEREY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

D. Cash and Cash Equivalents

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. The Town maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption, "cash and cash equivalents".

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

E. Investments

The Town maintains investments according to Massachusetts General Laws and adopted policies. Investments are reported according to the fair value hierarchy established by generally accepted accounting principles. Investments are defined as securities or other assets that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy is based upon valuation inputs, which are assumptions that market participants would use when pricing an asset or a liability, including assumptions about risk.

Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 inputs are directly observable for an asset or a liability (including quoted prices for similar assets or liabilities), as well as inputs that are indirectly observable for the asset or liability.

Level 3 inputs are unobservable for the asset or liability.

Certain investments, such as money market investments and 2a7-like external investment pools, are reported at amortized cost. 2a7-like pools are external investment pools that operate in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended and should be measured at the net asset value per share provided by the pool.

Additional investment disclosures are presented in these Notes.

F. Receivables

The recognition of revenues related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

TOWN OF MONTEREY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

Property Taxes, Tax Liens and Tax Foreclosures

Property taxes are based on assessments as of January 1, 2020 and include betterments, special assessments and liens. Taxes are used to finance the operations of the Town for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The Town has accepted the quarterly tax payment system. Under the quarterly tax payment system, the assessors make a preliminary tax commitment based on the prior year's net tax and may not exceed, with limited exceptions, fifty percent of that amount. The collector must mail preliminary tax bills each year by July 1st. The preliminary tax is payable in two equal installments. The first installment is due on August 1st and the second installment is due on November 1st. After the Town sets the tax rate, the assessors make the actual tax commitment. If actual bills are mailed on or before December 31st, the balance remaining is payable in two equal installments. The first installment is due on February 1st and the second installment is due on May 1st. If bills are mailed after December 31st, the entire balance is not due until May 1st or thirty days after the bills were mailed, whichever is later. Any betterments, special assessments and other charges are added to the actual bills. Interest at the rate of 14% is charged on the amount of any preliminary tax or actual tax installment payment that is unpaid and delinquent and is charged only for the number of days the payment is actually delinquent. If actual tax bills are mailed after December 31st, interest will be computed from May 1st, or the payment due date, whichever is later. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables. Revenues from property taxes are recognized in the fiscal year for which they have been levied.

The Town mailed preliminary tax bills for fiscal year 2021 on June 30, 2020 and September 29, 2020, that were due on August 3, 2020 and November 2, 2020 and actual bills on December 29, 2020 and April 1, 2021, that were due on February 1, 2021 and May 3, 2021.

The Commonwealth of Massachusetts electorate in November, 1980, passed legislation known as Proposition 2 1/2, in order to limit the amount of revenue to be raised by taxation. The purpose of the legislation was to control the levy of taxes that are assessed to property owners of a Town. The legal levy limit under Proposition 2 1/2 for fiscal year 2020 is as follows:

| | |
|------------------------------------|----------------------------|
| Legal Levy Limit Under Proposition | |
| 2 1/2 for fiscal year 2021 | \$ 4,282,162 |
| Add: Debt Exclusion | <u>360,549</u> |
| Maximum Allowable Levy | <u><u>\$ 4,642,711</u></u> |

The total amount raised by taxation was \$3,896,204.

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

Excise Taxes

Excise taxes consist of motor vehicle excise. Excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the fiscal year of levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair value of those vehicles.

The tax calculation for motor vehicle excise is the fair value of the vehicle multiplied by the \$25 per \$1,000 of value.

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

TOWN OF MONTEREY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

Departmental

Departmental receivables consist primarily of police off-duty details.

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

Due from Other Governments

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

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

G. Capital Assets

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

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

Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of fixed assets are as follows:

| Capital Asset Type | Years |
|--------------------------------|--------------|
| Buildings and renovations | 10-40 |
| Machinery, equipment and other | 3-15 |
| Infrastructure | 20-50 |

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

H. Interfund Transfers

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

In the government-wide financial statements, operating transfers between and within governmental funds are eliminated from the governmental activities in the statement of activities.

In the fund financial statements, operating transfers between and within funds are not eliminated from the individual fund statements and are reported as operating transfers in and operating transfers out.

TOWN OF MONTEREY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

I. Deferred Outflows/Inflows of Resources

Government-wide financial statements

The government-wide financial statements *Statement of Net Position* includes a separate section, listed below total assets, for *deferred outflows of resources*. This represents the usage of net position applicable for future period(s) and will not be recognized as expenditures until the future period to which it applies. Currently, the items in this category are *deferred outflows related to pensions and deferred outflows related to OPEB*.

In addition to liabilities, the *Statement of Net Position* will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the items in this category are *deferred inflows related to pensions and deferred inflows related to OPEB*.

Fund financial statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, which arises only under a modified accrual basis of accounting that qualifies in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for the Town's property, excise and other taxes; and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

J. Net Position and Fund Balances

In the Government-Wide financial statements, the difference between the Town's total assets, deferred outflows of resources, total liabilities and deferred inflows of resources represents net position. Net position displays three components – net investment in capital assets, restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net position represents the net position available for future operations.

Net position classified as net investment in capital assets, consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Net position has been "restricted for" the following:

"Capital projects" represents amounts restricted for capital purposes.

"Federal and state grants" - represents amounts restricted by the federal and state government for various programs.

"Permanent funds" – expendable" represents amounts held in trust for which the expenditures are restricted by various trust agreements.

"Other purposes" represents restrictions placed on assets from outside parties.

TOWN OF MONTEREY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of those resources.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts 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 is the Town meeting action and can be modified or rescinded only through these actions. Committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit.

Assigned fund balance. This classification reflects the amounts constrained by the Town's "intent" to be used for specific purposes, but are neither restricted nor committed. Department heads and Town board/committees have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When the restricted and other fund balance resources are available for use, it is the Town's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts respectively.

K. Long-term Debt

Long-term debt of the primary government is reported as liabilities in the government-wide statement of net position.

The face amount of governmental funds long-term debt is reported as other financing sources.

L. Pension Benefits

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

TOWN OF MONTEREY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

M. Post Retirement Benefits

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's 50% share of insurance premiums in the general fund in the fiscal year paid.

N. Use of Estimates

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

O. Total Column

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

An annual budget is adopted for the Town's General Fund. Although legislative approval is required for the acceptance of grants, capital projects, and borrowing authorizations, annual budgets are not prepared for any other fund; therefore, comparison of budget to actual is only presented for the General Fund.

The Town must establish its property tax rate each year so that the property tax rate levy will comply with the limits established by Proposition 2 1/2, as amended, and also equal the sum of (a) the aggregate of all annual appropriations for expenditures, plus (b) provision for prior year deficits, if any, less (c) the aggregate of all non-property tax revenues estimated to be received, including available funds.

The Town follows these procedures in establishing the General Fund budgetary data as reflected in the financial statements:

- Estimates are submitted by departments in accordance with Massachusetts general Laws.
- The budget is legally enacted by vote at the annual Town meeting.
- Supplemental appropriations may be made from available funds after the setting of the tax rate with Town meeting approval.
- Throughout the year appropriations may be transferred between departments with Town meeting approval.

Massachusetts law requires cities and towns to provide for a balanced budget. Section 23 of Chapter 59 of the Massachusetts General Laws states, in part,

"The assessors shall annually assess taxes to an amount not less than the aggregate of all amounts appropriated, granted or lawfully expended by their respective towns (cities) since the preceding annual assessment and not provided for therein . . . "

TOWN OF MONTEREY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

For fiscal year 2021, the Town incurred a final budget deficit of \$583,608 for the General Fund.

The Town voted from the following sources to fund the deficit budget during the fiscal year:

| | |
|---------------------------|--------------------------|
| Unassigned fund balance: | |
| Free cash votes | \$ 317,855 |
| Prior year's encumbrances | <u>265,753</u> |
| | <u><u>\$ 583,608</u></u> |

B. Deficit Fund Equity

The following funds have deficits at June 30, 2021 as measured by the balance of unreserved fund balance.

- The Library construction fund, a capital project and major fund, has a deficit of \$1,089,125. This project is partially funded by the State of Massachusetts. The Town has temporary notes outstanding totaling \$1,092,725 for the project. The deficit will be eliminated upon the future receipt of funds or upon the issuance of permanent debt.

3. DETAILED NOTES

A. Deposits and Investments

Custodial Credit Risks – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. Deposits at June 30, 2021 were \$2,934,648. Of these, \$124,746 are exposed to custodial credit risk as uninsured and uncollateralized.

Investment Policies

Investments of funds, except for trust funds, are generally restricted by Massachusetts General Laws, Chapter 44, Section 55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposit of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

The MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer's office. According to the State Treasurer, the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U. S. Government obligations and highly-rated corporate securities with maturities of one year or less. The MMDT is an external investment pool that meets the criteria established under GASB Statement No. 79 to report its investments at amortized cost.

As of June 30, 2021, the Town has no investments that meet the above criteria.

TOWN OF MONTEREY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

Custodial Credit Risks - Investments

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Interest Rate Risk

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

Credit Risk

There is no exposure to credit risk.

Concentration of Credit Risk

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

B. Receivables

At June 30, 2021, receivables for the individual major governmental funds, non-major governmental funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts of the primary government, are as follows:

| | Gross Amount | Allowance for Uncollectibles | Net Amount |
|---|-------------------------|---|-----------------------|
| Major and nonmajor governmental funds: | | | |
| Property taxes | \$ 77,037 | \$ - | \$ 77,037 |
| Tax liens | 25,156 | - | 25,156 |
| Excise taxes | 25,564 | (4,000) | 21,564 |
| Departmental | 3,275 | - | 3,275 |
| Due from other governments | 437,532 | - | 437,532 |
| | <u>\$ 568,564</u> | <u>\$ (4,000)</u> | <u>\$ 564,564</u> |

TOWN OF MONTEREY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

The composition of amounts due from other governments as of June 30, 2021 for governmental funds is as follows:

General Fund:

Commonwealth of Massachusetts:

Department of Revenue:

Veterans, blind and surviving spouse \$ 4,500

Public Works Infrastructure Grants Fund:

Massachusetts Department of Transportation:

Highway Department - Chapter 90 funds 346,911

Nonmajor Governmental Funds:

U.S. Department of Homeland security:

Emergency Management Preparedness Grant \$ 2,500

Federal Emergency Management Agency:

Coronavirus Relief Fund 12,460

U.S. Department of Justice

Justice Assistance Grant 39,911

Commonwealth of Massachusetts:

Department of Environmental Protection:

Department of Fire Services 2,600

Department of Elder Affairs 10,953

Executive Office of Environmental Affairs

Massachusetts Vulnerability Planning Grant 14,197

Executive Office of Public Safety & Homeland Security:

Coronavirus Emergency Supplement Grant 3,500 86,121

\$ 437,532

C. Deferred Outflows and Inflows of Resources

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

General Fund:

| | | | |
|----------------|----|---------------|------------|
| Property taxes | \$ | 54,437 | |
| Tax liens | | 25,156 | |
| Excise taxes | | <u>21,564</u> | \$ 101,157 |

Nonmajor Governmental Funds:

| | | | |
|----------------------------|--|-------------------|--|
| Due from other governments | | 280,480 | |
| | | <u>\$ 381,637</u> | |

TOWN OF MONTEREY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

D. Capital Assets

Capital assets for the governmental activities for the year ended June 30, 2021, are as follows:

| Governmental Activities | Beginning Balance | Increases | Decreases | Ending Balance |
|---|------------------------------|------------------|------------------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 350,000 | \$ - | \$ - | \$ 350,000 |
| Construction in progress | - | 45,542 | - | 45,542 |
| Total capital assets not being depreciated | 350,000 | 45,542 | - | 395,542 |
| Capital assets being depreciated: | | | | |
| Buildings and Renovations | 5,915,262 | 57,488 | - | 5,972,750 |
| Machinery, equipment and other | 3,688,635 | 179,912 | (19,500) | 3,849,047 |
| Infrastructure | 3,817,871 | 701,637 | - | 4,519,508 |
| Total capital assets being depreciated | 13,421,768 | 939,037 | (19,500) | 14,341,305 |
| Less accumulated depreciation for: | | | | |
| Buildings and Renovations | 2,511,434 | 116,191 | - | 2,627,625 |
| Machinery, equipment and other | 2,097,646 | 202,095 | (19,500) | 2,280,241 |
| Infrastructure | 1,000,154 | 208,435 | - | 1,208,589 |
| Total accumulated depreciation | 5,609,234 | 526,721 | (19,500) | 6,116,455 |
| Total capital assets being depreciated, net | 7,812,534 | 412,316 | - | 8,224,850 |
| Total governmental activities capital assets, net | \$ 8,162,534 | \$ 457,858 | \$ - | \$ 8,620,392 |

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

| Governmental Activities: | |
|--|-------------------|
| General government | \$ 2,319 |
| Public safety | 83,362 |
| Public works | 359,306 |
| Culture and recreation | 81,734 |
| Total depreciation expense - governmental activities | <u>\$ 526,721</u> |

E. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2021, are summarized below:

| Transfers Out: | Transfers In: Nonmajor Governmental fund |
|-----------------------|---|
| General fund | <u>\$ 710</u> |

TOWN OF MONTEREY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

F. Short-Term Financing

Under the general laws of the Commonwealth and with the appropriate local authorization the Town is authorized to borrow funds on a temporary basis to (1) fund current operations prior to the collection of revenues, by issuing revenue anticipation notes, (2) fund grants prior to reimbursements, by issuing grant anticipation notes, and (3) fund capital projects costs incurred prior to selling permanent debt by issuing bond anticipation notes.

Details related to the short-term debt activity of the governmental type and business-type funds are as follows:

| Purpose | Interest Rate | Final Maturity Date | Balance July 1, 2020 | Renewed/ Issued | Retired/ Redeemed | Outstanding June 30, 2021 |
|--------------------------------------|---------------|---------------------|----------------------|---------------------|---------------------|---------------------------|
| Nonmajor Governmental Funds: | | | | | | |
| Bond Anticipation Note: | | | | | | |
| Library construction | 1.85% | 11/5/2020 | \$ 1,000,000 | \$ - | \$ 1,000,000 | \$ - |
| Library construction | 1.90% | 11/5/2020 | 535,460 | - | 535,460 | - |
| Library construction | 0.06% | 11/3/2021 | - | 1,092,725 | - | 1,092,725 |
| Total Governmental Activities | | | <u>\$ 1,535,460</u> | <u>\$ 1,092,725</u> | <u>\$ 1,535,460</u> | <u>\$ 1,092,725</u> |

G. Long Term Debt

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities.

General obligation bonds currently outstanding of the governmental type fund are as follows:

| | Interest Rate | Date Issued | Final Maturity Date | Original Amount Issued | Outstanding June 30, 2021 |
|------------------------------|---------------|-------------|---------------------|------------------------|---------------------------|
| Inside Debt: | | | | | |
| State House Loan of 2017: | | | | | |
| Fire truck | 2.60% | 8/15/2016 | 8/15/2022 | \$ 598,000 | <u>\$ 200,000</u> |
| Outside Debt: | | | | | |
| State House Loan of 2016: | | | | | |
| Transfer Station | 2.90% | 5/18/2016 | 5/18/2023 | 350,000 | <u>100,000</u> |
| Total governmental type debt | | | | | <u><u>\$ 300,000</u></u> |

TOWN OF MONTEREY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

Future Debt Service

The annual principal and interest payments to retire all governmental type fund general obligation long-term debt outstanding as of June 30, 2021, are as follows:

| Year | Principal | Interest | Total |
|------|-------------------|------------------|-------------------|
| 2022 | \$ 150,000 | \$ 8,100 | \$ 158,100 |
| 2023 | 150,000 | 4,050 | 154,050 |
| | <u>\$ 300,000</u> | <u>\$ 12,150</u> | <u>\$ 312,150</u> |

A summary of the changes in governmental activities long-term liabilities during the year is as follows:

| | Balance July 1, 2020 | Additions | Reductions | Balance June 30, 2021 | Amounts Due within One Year |
|---------------------------------|-------------------------|------------------|-------------------|--------------------------|-----------------------------------|
| Governmental activities: | | | | | |
| Bonds Payable: | | | | | |
| General obligation bonds | \$ 512,386 | \$ - | \$ 212,386 | \$ 300,000 | \$ 150,000 |
| Net OPEB liability | 690,746 | 98,615 | - | 789,361 | - |
| Net pension liability | 339,993 | - | 196,375 | 143,618 | - |
| Governmental activity | | | | | |
| Long-term liabilities | <u>\$ 1,543,125</u> | <u>\$ 98,615</u> | <u>\$ 408,761</u> | <u>\$ 1,232,979</u> | <u>\$ 150,000</u> |

Legal Debt Limit

Under Section 10 of Chapter 44 of the Massachusetts General Laws a Town may authorize indebtedness up to a limit of five percent of its equalized valuation of the Town. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." The Town's inside debt at June 30, 2021 totaled \$200,000.

In addition, the Town is authorized to incur debt outside of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit." The following is a computation of the legal debt limit as of June 30, 2021:

| | |
|---|-----------------------|
| Equalized Valuation-Real Estate and Personal Property (2020) | <u>\$ 540,379,700</u> |
| Debt Limit: 5 % of Equalized value | 27,018,985 |
| Total Debt Outstanding | \$ 300,000 |
| Less: Debt Outside Debt Limit | <u>(100,000)</u> |
| | 200,000 |
| Inside Debt Excess Borrowing Capacity at June 30, 2021 | <u>\$ 26,818,985</u> |

TOWN OF MONTEREY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

Loans Authorized and Unissued - Memorandum Only

Under the general laws of the Commonwealth of Massachusetts a Town must authorize debt at a Town meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or Town meeting votes to rescind the authorized debt. Loan authorizations that have not been issued as of June 30, 2021 and are not reflected in the Town's financial statements are as follows:

| Date Town Meeting Authorized | Purpose | Amount |
|------------------------------------|---------------------|-------------------|
| 5/1/2021 | Purchase Dump Truck | <u>\$ 200,000</u> |

H. Fund Balances

The following is a summary of the Governmental fund balances at the year ended June 30, 2021:

| | General Fund | Major Funds | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|-----------------------|-----------------------------------|--------------------------------|
| Restricted: | | | | |
| Federal, state and local grants | \$ - | \$ 898 | \$ 203,304 | \$ 204,202 |
| Town revolving funds | - | - | 27,036 | 27,036 |
| Gifts and Donations | - | - | 4,546 | 4,546 |
| Permanent funds | - | - | 69,047 | 69,047 |
| Other | - | - | 129,946 | 129,946 |
| | - | 898 | 433,879 | 434,777 |
| Assigned: | | | | |
| General government | 39,825 | - | - | 39,825 |
| Public safety | 352 | - | - | 352 |
| Public works | 554,158 | - | - | 554,158 |
| Health and human services | 222 | - | - | 222 |
| Culture and recreation | 3,761 | - | - | 3,761 |
| Debt service: principal | 2,351 | - | - | 2,351 |
| Subsequent year's budget | 249,015 | - | - | 249,015 |
| | 849,684 | - | - | 849,684 |
| Unassigned: | | | | |
| General Fund | 1,588,907 | - | - | 1,588,907 |
| Deficit special revenue | - | - | - | - |
| Deficit capital projects | - | (1,089,125) | - | (1,089,125) |
| | 1,588,907 | (1,089,125) | - | 499,782 |
| Total Governmental fund balances | \$ 2,438,591 | \$ (1,088,227) | \$ 433,879 | \$ 1,784,243 |

TOWN OF MONTEREY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

I. Special Trust Funds

Stabilization Fund

Massachusetts General Laws, Chapter 40, Section 5B, allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body. Any interest shall be added to and become a part of the fund.

At June 30, 2021, the balances in the stabilization funds are reported in the General Fund as unassigned fund balance consisting of the following:

| | | |
|--|----|----------------|
| General purpose stabilization fund | \$ | 546,995 |
| Bridges, roads, and culverts stabilization fund | | 30,158 |
| Fire Department stabilization fund | | 15,000 |
| Retirement stabilization fund | | 109,387 |
| | | <hr/> |
| | \$ | <u>701,540</u> |

4. OTHER INFORMATION

A. Risk Management

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. The Town has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties.

Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Contingent Liabilities

Litigation

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

The Town has received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under the terms of the grant. The amount, if any, of expenditures which may be disallowed cannot be determined at this time, although, based on prior experience, Town management believes such disallowances, if any, will not be material.

TOWN OF MONTEREY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

C. COVID-19

The Covid-19 pandemic in the United States and across the globe has resulted in economic uncertainties. The disruption was expected to be temporary, but there remains considerable uncertainty around the duration and scope. The United States Federal Government and State of Massachusetts established funding through various sources; the Coronavirus Aid, Relief and Economic Security (CARES) Act and the American Rescue Plan Act (ARPA) in addition to several other federal and state grants. The extent of the impact of Covid-19 on our operational and financial performance will depend on certain developments, including the duration and spread of outbreak, impact on our customers, employees, and vendors all of which are uncertain and cannot be predicted. At this point, the full extent to which Covid-19 may impact our financial condition or results of operations remains uncertain.

D. Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued.

E. Pension Plan

Plan Description

The Town is a member of the Berkshire County Retirement System (the System). The System is a cost-sharing multiple-employer public employee retirement system administered by a five-member board. Massachusetts General Laws (MGL), Chapter 32, assigns authority to establish the System and amend benefit provisions of the plan; which is regulated by the Public Employees Retirement Administration Commission (PERAC). The System is a defined benefit pension plan that covers substantially all employees of its member employers. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System at 29 Dunham Hall, Pittsfield, Massachusetts 01201-6207.

Benefits Provided

The System provides retirement, disability, survivor and death benefits to plan members and beneficiaries. MGL Chapter 32 establishes uniform benefit and contributory requirements for all contributory public employee retirement systems (PERS). The Massachusetts PERS benefits are uniform from system to system, with a few minor exceptions. Members of the System become vested after 10 years of creditable service. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Retirement benefits are determined as a percentage of the member's final three-year (five-year for members hired on or after April 2, 2012) final average compensation times the member's years of creditable service prior to retirement. The percentage is based on the age of the member at retirement and his or her Group classification. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. Most employees who joined the system on or after April 2, 2012 cannot retire prior to age 60. The authority for amending these provisions rests with the Massachusetts Legislature.

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

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

TOWN OF MONTEREY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

Contributions

MGL Chapter 32 governs the contributions of plan members and the Town. Plan members are required to contribute to the System at rates ranging from 5% to 9% based upon their membership date of gross regular compensation with an additional 2% contribution after exceeding \$30,000 in annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The Town's proportionate share of the required contribution to the System for the year ended December 31, 2020 was \$121,129, representing 22.91% of the covered payroll, an actuarially determined amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year and an additional amount to finance any unfunded accrued liability.

Pension Liability

As of June 30, 2021, the Town reported a liability of \$143,618 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, 2019. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2020, the Town's proportional percentage was 1.12%, which was a slight increase from the last measurement.

Pension Expense

For the year ended June 30, 2021, the Town recognized a pension expense of \$44,957; reported deferred outflows of resources related to pensions of \$93,229 from the difference between expected and actual experience and changes in assumptions; and deferred inflows of resources related to pensions of \$193,211 from the difference between expected and actual experience and the net difference between projected and actual investment earnings on pension plan investments.

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

| <u>For years ended June 30,</u> | |
|---------------------------------|--------------------|
| 2022 | \$ (23,587) |
| 2023 | 2,890 |
| 2024 | (51,240) |
| 2025 | <u>(28,045)</u> |
| | <u>\$ (99,982)</u> |

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement that was updated December 31, 2020:

| | |
|-----------------------|------------------------------|
| Valuation date | January 1, 2019 |
| Actuarial cost method | Entry Age Normal Cost Method |

TOWN OF MONTEREY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

| | |
|----------------------------|---|
| Asset valuation method | Determined in accordance with the deferred recognition method under which 20% of the gains or losses occurring in the prior year are recognized, 40% of those occurring 2 years ago, etc., so that 100% of the gains and losses occurring 5 years ago are recognized. The actuarial value of assets will be adjusted, if necessary, in order to remain between 90% and 110% of market value. |
| Investment rate of return | 7.00% per year net of investment expenses |
| Projected salary increases | Select and ultimate by job group; ultimate rates 4.25% for Group 1 and Group 2, and 4.75% for Fire and Police. |
| Inflation | Not explicitly stated |
| Cost of living adjustments | 3.00% of the first \$14,000. |
| Mortality rates | Pre-retirement rates reflect the RP-2014 Blue Collar Employees table projected generationally with Scale MP-2018 (gender distinct). Post retirement rates reflect the RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2018 (gender distinct). For disabled retirees, rates reflect the RP-2014 Blue Collar Healthy Annuitant table set forward one year projected generationally with Scale MP-2018 (gender distinct). |

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation as of December 31, 2020, are summarized in the following table;

| Asset Class | Target Asset Allocation | Long-Term Expected Real Rate of Return |
|---------------------------------|--|---|
| U.S. Equities | 23.10% | 1.48% |
| International Equities | 14.40% | 0.95% |
| Emerging International Equities | 5.80% | 0.49% |
| Hedge Equity | 8.80% | 0.50% |
| Core Fixed Income | 15.80% | 1.49% |
| Value-added Fixed Income | 7.40% | 0.46% |
| Private Equity | 12.60% | 1.29% |
| Real Estate (Core) | 8.30% | 0.50% |
| Timber/Natural Resources | 3.30% | 0.22% |
| Portfolio Completion (PCS) | 0.50% | 0.03% |
| Total | <u>100.00%</u> | |

TOWN OF MONTEREY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

Rate of Return

For the year ended December 31, 2020, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 12.05%. The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. The rate of return is then calculated by solving, through an iterative process, for the rate that equates the sum of the weighted external cash flows into and out of the pension plan investments to the ending fair value of pension plan investments.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarial determined rates based on the Board's funding policy, which establishes the contractually required rates by Statute and in accordance with Section 22D and Section 22F of MGL Chapter 32. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments or current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.00%. As well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate (amounts expressed in thousands):

| | 1% Decrease | Current | 1% Increase |
|------------------------------|--------------------|----------------------|--------------------|
| | 6.00% | Discount Rate | 8.00% |
| | 6.00% | 7.00% | 8.00% |
| Town's net pension liability | \$ 553,325 | \$ 143,618 | \$ (218,008) |

F. Other Post Employment Benefits Payable

GASB Statement No. 75

The cost of post employment benefits generally should be associated with the periods in which costs occur rather than in the future year when it will be paid. The Town recognizes the cost of post employment benefits in the year when the employee services are received, reports the accumulated liability from prior years and provides information useful in assessing potential demands on the Town's future cash flows.

Plan Description

In addition to providing pension benefits as described on the following footnote, the Town provided post-employment health care and life insurance benefits for retired employees, their dependents and beneficiaries. The benefits, benefit levels, employee and employer contributions are governed by Massachusetts General Law chapter 32. As of the actuarial valuation date, there are approximately 12 active and retired employees and dependents that meet the eligibility requirements. The plan does not issue a separate financial report.

TOWN OF MONTEREY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

Funding Policy

The contribution requirements of plan members and the Town are established and may be amended through Town ordinances. The Town's funding policy is to contribute the current annual premium (net of employee contributions) for all retired participants plus a portion of the annual OPEB costs. For the period ending on the June 30, 2021 Measurement Date the Town premiums plus implicit costs for the retiree medical program were \$13,267. The Town also made a contribution to an OPEB Trust of \$0 for a total contribution during the measurement period of \$13,267. The Town has not established a trust fund in order to contribute funds to reduce the future OPEB liability.

Measurement Date

GASB Statement No. 75 requires the net OPEB liability to be measured as of the OPEB Plan's most recent fiscal year-end. Accordingly, the net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2020.

Plan Membership:

| | |
|--|----|
| Current active members | 8 |
| Current retirees, beneficiaries and dependents | 4 |
| Total | 12 |

Net OPEB Liability

The components of the net OPEB liability are as follows:

| | 6/30/2021 |
|--|------------------|
| Total OPEB liability | \$ 789,361 |
| Less: Plan fiduciary net position | - |
| Town's Net OPEB liability | \$ 789,361 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 0.00% |

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified:

| | |
|---------------------------------|--|
| Valuation date | July 1, 2020 |
| Actuarial cost method | Individual Entry Age Normal, level percent of pay |
| Single equivalent discount rate | 2.18% annually |
| Inflation rate | 3.00% annually |
| Projected salary increases | 3.00% annually |
| Healthcare cost trend rates | 8.00% in Year 1 decreasing to an ultimate trend rate of 5.00% annually |
| Mortality rates | RP-2006 mortality table with MP-2019 projection |

TOWN OF MONTEREY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

The actuarial assumptions used the July 1, 2020 actuarial valuation and market value of assets as of the measurement date of June 30, 2021 were reflective of published municipal bond indices; the S&P Municipal Bond 20-year High Grade Rate Index is 2.18%.

Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was not provided.

Changes in the Net OPEB Liability

| | Increase (Decrease) | | |
|--|-------------------------|--------------------------------|-------------------------|
| | Total OPEB Liability | Plan Fiduciary Net Position | Total OPEB Liability |
| Balances at June 30, 2020 | \$ 690,746 | \$ - | \$ 690,746 |
| Service cost | 65,074 | - | 65,074 |
| Interest on Total OPEB Liability | 18,197 | - | 18,197 |
| Changes in benefit terms | - | - | - |
| Changes in assumptions | 56,410 | - | 56,410 |
| Difference between actual and expected experience | (27,799) | - | (27,799) |
| Net investment income | - | - | - |
| Employer contributions to Trust | - | 13,267 | (13,267) |
| Total benefit payments including implicit cost | (13,267) | (13,267) | - |
| Net change in total OPEB liability | 98,615 | - | 98,615 |
| Balances at June 30, 2021 | \$ 789,361 | \$ - | \$ 789,361 |

Discount Rate

The discount rate used to measure the total OPEB liability was 2.18%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made in accordance with the Town's funding policy. Based on these assumptions, the OPEB plan's fiduciary net position is projected to be insufficient to make all projected benefit payments to current plan members. Therefore, the Municipal Bond Rate will apply.

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

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-percentage-point lower (1.18%) or 1-percentage-point higher (3.18%) than the current rate:

| | Current | | |
|---------------------------|------------------------|--------------------------|------------------------|
| | 1% Decrease (1.18%) | Discount Rate (2.18%) | 1% Increase (3.18%) |
| Town's net OPEB liability | \$ 906,868 | \$ 789,361 | \$ 671,853 |

TOWN OF MONTEREY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

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

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 healthcare cost trend rates that are 1-percentage-point lower (7.00% decreasing to 4.00%) or 1-percentage-point higher (9.00% decreasing to 6.00%) than the current healthcare cost trend rates:

| | 1% Decrease (7.00% decreasing to 4.00%) | | Healthcare Cost Trend Rates (8.00% decreasing to 5.00%) | | 1% Increase (9.00% decreasing to 6.00%) |
|---------------------------|--|----|--|----|--|
| Town's net OPEB liability | \$ 633,982 | \$ | 789,361 | \$ | 979,960 |

Summary of Significant Accounting Policies

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

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

For the year ended June 30, 2021, the GASB Statement No. 75 reporting period and fiscal year ending date, the Town recognized an OPEB expense of \$57,583 and reported deferred outflows of resources related to OPEB of \$87,257 from the difference between expected and actual experience and changes in assumption; and deferred inflows of resources related to OPEB of \$290,452 from the difference between expected and actual experience.

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

| For years ended June 30, | |
|---------------------------------|--------------|
| 2022 | \$ (25,688) |
| 2023 | (25,688) |
| 2024 | (25,688) |
| 2025 | (25,692) |
| 2026 | (27,094) |
| Thereafter: | (73,345) |
| | \$ (203,195) |

TOWN OF MONTEREY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

G. Implementation of New GASB Pronouncements

The GASB issued Statement No. 84, *Fiduciary Activities*, for implementation in fiscal year 2021.

The GASB issued Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, for implementation in fiscal year 2021.

H. Future GASB Pronouncements

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

The GASB issued Statement No. 87, *Leases*, for implementation in fiscal year 2022.

The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, for implementation in fiscal year 2022.

The GASB issued Statement No. 91, *Conduit Debt Obligations*, for implementation in fiscal year 2023.

The GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*, for implementation in fiscal 2022.

The GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, for implementation in fiscal year 2023.

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, for implementation in fiscal year 2023.

The GASB issued 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*, for implementation in fiscal year 2021 and 2022.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF MONTEREY, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Berkshire County Retirement System
For the Year Ended June 30, 2021

The Schedule of Proportionate Share of the Net Pension Liability represents multiyear trend information relating to the Town's proportion of the net pension liability and related ratios.

Schedule of the Town's Proportionate Share of the Net pension Liability:

| Measurement Date | Town's proportion of the net pension liability (asset) | Town's proportionate share of the net pension liability (asset) | Town's covered employee payroll | Net pension liability percentage of covered employee payroll | Plan fiduciary net position as a percentage of the total pension liability |
|-------------------------|---|--|--|---|---|
| 12/31/2020 | 1.12% | \$ 143,618 | \$ 528,674 | 27.17% | 95.93% |
| 12/31/2019 | 1.11% | \$ 339,993 | \$ 523,953 | 64.89% | 89.90% |
| 12/31/2018 | 1.29% | \$ 564,298 | \$ 563,562 | 100.13% | 84.40% |
| 12/31/2017 | 1.15% | \$ 297,310 | \$ 502,401 | 59.18% | 90.41% |
| 12/31/2016 | 1.09% | \$ 433,515 | \$ 461,146 | 94.01% | 84.06% |
| 12/31/2015 | 1.05% | \$ 444,329 | \$ 444,224 | 100.02% | 82.25% |
| 12/31/2014 | 1.06% | \$ 278,345 | \$ 427,116 | 65.17% | 88.13% |

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

TOWN OF MONTEREY, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Berkshire County Retirement System
For the Year Ended June 30, 2021

The Schedule of the Employer Contributions presents multiyear trend information on the Town's required and actual payments to the pension plan and related ratios.

Schedule of the Town's Contributions:

| Measurement Date | Actuarially determined contribution | Less: Contributions in relation to the actuarially determined contribution | Contribution deficiency (excess) | Town's covered employee payroll | Contributions percentage of covered employee payroll |
|-------------------------|--|---|---|--|---|
| 12/31/2020 | \$ 121,129 | \$ (121,129) | \$ - | \$ 528,674 | 22.91% |
| 12/31/2019 | \$ 112,107 | \$ (112,107) | \$ - | \$ 523,953 | 21.40% |
| 12/31/2018 | \$ 124,352 | \$ (124,352) | \$ - | \$ 563,562 | 22.07% |
| 12/31/2017 | \$ 105,787 | \$ (105,787) | \$ - | \$ 502,401 | 21.06% |
| 12/31/2016 | \$ 95,689 | \$ (95,689) | \$ - | \$ 461,146 | 20.75% |
| 12/31/2015 | \$ 87,973 | \$ (87,973) | \$ - | \$ 444,224 | 19.80% |
| 12/31/2014 | \$ 84,782 | \$ (84,782) | \$ - | \$ 427,116 | 19.85% |

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

TOWN OF MONTEREY, MASSACHUSETTS
Required Supplementary Information
Other Post Employment Benefit Plan Schedules
For the Year Ended June 30, 2021

Schedule of Changes in the Net OPEB Liability:

| | <u>6/30/2021</u> | <u>6/30/2020</u> | <u>6/30/2019</u> | <u>6/30/2018</u> |
|--|-------------------|-------------------|-------------------|-------------------|
| Total OPEB liability | | | | |
| Service cost | \$ 65,074 | \$ 30,551 | \$ 30,404 | \$ 27,843 |
| Interest on net OPEB liability | 18,197 | 25,512 | 26,557 | 24,969 |
| Changes in Benefit terms | - | - | - | - |
| Changes in Assumptions | 56,410 | 13,972 | 29,533 | - |
| Difference between actual and expected experience | (27,799) | (288,169) | (52,346) | 11,244 |
| Benefit payments, including refunds of member contributions | (13,267) | (11,056) | (10,770) | (10,770) |
| Net change in total OPEB liability | 98,615 | (229,190) | 23,378 | 53,286 |
| Total OPEB liability-beginning | 690,746 | 919,936 | 896,558 | 843,272 |
| Total OPEB liability-ending (a) | <u>\$ 789,361</u> | <u>\$ 690,746</u> | <u>\$ 919,936</u> | <u>\$ 896,558</u> |
| Plan fiduciary net position | | | | |
| Employer contributions to Trust | 13,267 | 11,056 | \$ 10,770 | \$ 10,770 |
| Benefit payments, including refunds of member contributions | (13,267) | (11,056) | (10,770) | (10,770) |
| Net change in plan fiduciary net position | - | - | - | - |
| Total fiduciary net position-beginning | - | - | - | - |
| Total fiduciary net position-ending (b) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Town's net OPEB liability (a-b) | <u>\$ 789,361</u> | <u>\$ 690,746</u> | <u>\$ 919,936</u> | <u>\$ 896,558</u> |

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

TOWN OF MONTEREY, MASSACHUSETTS
Required Supplementary Information
Other Post Employment Benefit Plan Schedules
For the Year Ended June 30, 2021

Schedule of Net OPEB Liability:

| | <u>6/30/2021</u> | <u>6/30/2020</u> | <u>6/30/2019</u> | <u>6/30/2018</u> |
|---|-------------------|-------------------|-------------------|-------------------|
| Total OPEB liability | \$ 789,361 | \$ 690,746 | \$ 919,936 | \$ 896,558 |
| Less: Plan fiduciary net position | - | - | - | - |
| Town's Net OPEB liability | <u>\$ 789,361</u> | <u>\$ 690,746</u> | <u>\$ 919,936</u> | <u>\$ 896,558</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 0.00% | 0.00% | 0.00% | 0.00% |
| Town's share of covered employee payroll | \$ 589,826 | \$ 796,617 | \$ 670,000 | \$ 670,000 |
| Participating employer net OPEB liability (asset) as a percentage of covered-employee payroll | 133.83% | 86.71% | 137.30% | 133.81% |

Schedule of Contributions:

| | <u>6/30/2021</u> | <u>6/30/2020</u> | <u>6/30/2019</u> | <u>6/30/2018</u> |
|--|------------------|------------------|------------------|------------------|
| Actuarially determined contribution | \$ 110,056 | \$ 91,191 | \$ 90,555 | \$ 84,419 |
| Less: Contributions in relation to the actuarially determined contribution | (13,267) | (11,056) | (10,770) | (10,770) |
| Contribution deficiency (excess) | <u>\$ 96,789</u> | <u>\$ 80,135</u> | <u>\$ 79,785</u> | <u>\$ 73,649</u> |
| Town's share of covered employee payroll | \$ 589,826 | \$ 796,617 | \$ 670,000 | \$ 670,000 |
| Contributions percentage of covered-employee payroll | 2.25% | 1.39% | 1.61% | 1.61% |
| Annual money-weighted rate of return net of investment expense | N/A | N/A | N/A | N/A |

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

TOWN OF MONTEREY, MASSACHUSETTS
Required Supplementary Information
Other Post Employment Benefit Plan Schedules
For the Year Ended June 30, 2021

Schedule of Funding Progress:

| Other Post Employment Benefits | | | | | | | |
|---------------------------------------|---|---|---|---|--|--|--|
| Measurement Date | Actuarial Fiduciary Net Position (A) | Actuarial Total OPEB Liability (B) | Actuarial Net OPEB Liability (B-A) | Actuarial Funded Ratio (A/B) | Actuarial Covered Payroll (C) | Actuarial Percentage of Covered Payroll ((B-A)/C) | |
| 6/30/2021 | \$ - | \$ 789,361 | \$ 789,361 | 0.00% | \$ 589,826 | 133.83% | |
| 6/30/2020 | \$ - | \$ 690,746 | \$ 690,746 | 0.00% | \$ 796,617 | 86.71% | |
| 6/30/2019 | \$ - | \$ 919,936 | \$ 919,936 | 0.00% | \$ 670,000 | 137.30% | |
| 6/30/2018 | \$ - | \$ 896,558 | \$ 896,558 | 0.00% | \$ 670,000 | 133.81% | |

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

SUPPLEMENTARY SCHEDULES

TOWN OF MONTEREY, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

| | Fund Balances July 1, 2020 | Revenues | Expenditures | Other Financing Sources (Uses) | Fund Balances June 30, 2021 |
|--|-------------------------------|-------------------|-------------------|-----------------------------------|--------------------------------|
| Special Revenue: | | | | | |
| Federal and State Grants: | | | | | |
| Arts Lottery Council Grants | \$ 4,381 | \$ 4,800 | \$ 5,014 | \$ - | \$ 4,167 |
| Community IT Grant | 2,400 | 82,000 | 2,400 | - | 82,000 |
| Council on Aging Grants | 293 | 16,953 | 13,430 | - | 3,816 |
| Emergency Management Grants (COVID-19) | (12,274) | 97,002 | 77,699 | - | 7,029 |
| Library Grants | 13,427 | 2,849 | 3,239 | - | 13,037 |
| Municipal Regionalization Grant | - | 75,000 | - | - | 75,000 |
| Other Grants and Programs | 1,660 | 51,979 | 51,135 | 500 | 3,004 |
| Public Safety Grants | 1,798 | 45,848 | 44,893 | - | 2,753 |
| Recycling Grants | 13,400 | 3,150 | 7,443 | - | 9,107 |
| Other: | | | | | |
| Berkshire Housing Revolving | 569 | - | - | - | 569 |
| Building and Fire Department Inspections | 439 | 378 | - | - | 817 |
| Community Center Revolving | 11,345 | 13,935 | 9,690 | 210 | 15,800 |
| Community Development Program | 20,000 | - | - | - | 20,000 |
| Compost Bins Revolving | 382 | 1,875 | - | - | 2,257 |
| Deputy Collector Fees | - | 1,716 | 1,128 | - | 588 |
| Gifts and Donations | 3,271 | 2,560 | 1,284 | - | 4,547 |
| Inspector Fees Revolving | 754 | 14,533 | 13,554 | - | 1,733 |
| Insurance Proceeds | 23,189 | - | 23,189 | - | - |
| Massachusetts Clean Water Trust Reserve | 21,648 | - | - | - | 21,648 |
| Massachusetts Interlocal Insurance Association | - | 5,365 | 5,304 | - | 61 |
| Planning Board Revolving | 75 | - | - | - | 75 |
| Police Off-duty Details | - | 95,334 | 95,334 | - | - |
| Sale of Cemetery Lots | 3,404 | - | - | - | 3,404 |
| Septic System Repair Program | 44,838 | 920 | - | - | 45,758 |
| Transportation Infrastructure | 1 | - | - | - | 1 |
| Wetlands Protection Fund | 7,863 | 8,823 | 12,463 | - | 4,223 |
| Zoning Board | 1,186 | 2,777 | 1,757 | - | 2,206 |
| Total Special Revenue Page 53 | \$ 164,049 | \$ 527,797 | \$ 368,956 | \$ 710 | \$ 323,600 |

**TOWN OF MONTEREY, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

| | Fund Balances July 1, 2020 | Revenues | Expenditures | Other Financing Sources (Uses) | Fund Balances June 30, 2021 |
|---|-------------------------------|-------------------|-------------------|-----------------------------------|--------------------------------|
| Continued from Page 53 | \$ 164,049 | \$ 527,797 | \$ 368,956 | \$ 710 | \$ 323,600 |
| Special Revenue (continued): | | | | | |
| Other (continued): | | | | | |
| Conservation Fund | 41,208 | 24 | - | - | 41,232 |
| Total Special Revenue Funds | <u>205,257</u> | <u>527,821</u> | <u>368,956</u> | <u>710</u> | <u>364,832</u> |
| Permanent Funds: | | | | | |
| Cemetery Perpetual Care Fund | 44,838 | 10,724 | - | - | 55,562 |
| Library Fund | 13,476 | 9 | - | - | 13,485 |
| Total Permanent Funds | <u>58,314</u> | <u>10,733</u> | <u>-</u> | <u>-</u> | <u>69,047</u> |
| Total - Non-Major Governmental Funds | <u>\$ 263,571</u> | <u>\$ 538,554</u> | <u>\$ 368,956</u> | <u>\$ 710</u> | <u>\$ 433,879</u> |

**TOWN OF MONTEREY, MASSACHUSETTS
SCHEDULE OF REAL ESTATE AND PERSONAL PROPERTY TAXES
JULY 1, 2020 TO JUNE 30, 2021**

| | Uncollected Taxes July 1, 2020 | Commitments | Abatements and Adjustments | Collections Net of Refunds and Overpayments | Uncollected Taxes June 30, 2021 | Uncollected Taxes Per Detail June 30, 2021 |
|--|--------------------------------------|---------------------|----------------------------------|---|---------------------------------------|---|
| Real Estate Taxes: | | | | | | |
| Levy of 2021 | \$ - | \$ 3,822,384 | \$ 18,887 | \$ 3,741,256 | \$ 62,241 | \$ 62,241 |
| Levy of 2020 | 73,460 | - | - | 62,902 | 10,558 | 10,558 |
| Levy of 2019 | 24,837 | - | - | 20,644 | 4,193 | 4,193 |
| Levy of 2018 | 133 | - | - | 133 | - | - |
| | <u>98,430</u> | <u>3,822,384</u> | <u>18,887</u> | <u>3,824,935</u> | <u>76,992</u> | <u>76,992</u> |
| Personal Property Taxes: | | | | | | |
| Levy of 2021 | - | 73,821 | 86 | 73,690 | 45 | 45 |
| Levy of 2020 | 798 | - | - | 798 | - | - |
| | <u>798</u> | <u>73,821</u> | <u>86</u> | <u>74,488</u> | <u>45</u> | <u>45</u> |
| Total Real Estate and Personal Property Taxes | <u>\$ 99,228</u> | <u>\$ 3,896,205</u> | <u>\$ 18,973</u> | <u>\$ 3,899,423</u> | <u>\$ 77,037</u> | <u>\$ 77,037</u> |

**TOWN OF MONTEREY, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE EXCISE TAXES
JULY 1, 2020 TO JUNE 30, 2021**

| | Uncollected Taxes July 1, 2020 | Commitments | Abatements and Adjustments | Collections Net of Refunds and Overpayments | Uncollected Taxes June 30, 2021 | Uncollected Taxes Per Detail June 30, 2021 |
|---|---|--------------------|---|--|--|---|
| Motor Vehicle Excise Taxes: | | | | | | |
| Levy of 2021 | \$ - | \$ 147,680 | \$ 4,374 | \$ 127,833 | \$ 15,473 | \$ 15,473 |
| Levy of 2020 | 19,688 | 19,315 | 1,106 | 34,029 | 3,868 | 3,868 |
| Levy of 2019 | 2,831 | - | - | 1,143 | 1,688 | 1,688 |
| Levy of 2018 | 2,290 | - | - | 483 | 1,807 | 1,807 |
| Levy of 2017 | 836 | - | - | 37 | 799 | 799 |
| Prior Years | 1,929 | - | - | - | 1,929 | 1,929 |
| Total Motor Vehicle Excise Taxes | \$ 27,574 | \$ 166,995 | \$ 5,480 | \$ 163,525 | \$ 25,564 | \$ 25,564 |

**TOWN OF MONTEREY, MASSACHUSETTS
SCHEDULE OF TAX LIENS
JULY 1, 2020 TO JUNE 30, 2021**

| | Uncollected Accounts July 1, 2020 | Commitments | Abatements and Adjustments | Collections Net of Refunds and Overpayments | Uncollected Accounts June 30, 2021 | Uncollected Accounts Per Detail June 30, 2021 |
|------------------|--|--------------------|---|--|---|--|
| Tax Liens | \$ 20,846 | \$ 4,310 | \$ - | \$ - | \$ 25,156 | \$ 25,156 |