

TOWN OF WILLIAMSTOWN, MASSACHUSETTS

**Financial Statements and
Supplementary Information**

June 30, 2022

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TOWN OF WILLIAMSTOWN, MASSACHUSETTS

Notes to Financial Statements

June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The Town of Williamstown, Massachusetts was incorporated in 1765. The Town operates under a Town Manager form of government and provides the following services as authorized by its by-laws: general government, public safety, public health, human services, community preservation, public works, public education, library, and cemeteries and parks.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Governmental Accounting Standards Board statements have been considered, and no component units were identified to be included in the Town's financial statements.

Mount Greylock Regional School District

The Mount Greylock Regional School District is a municipal corporation governed by an elected school committee. The Town's accountability does not extend beyond electing committee members for its representation. The School District is responsible for its own operating and capital costs and operates independently from the Town. Accordingly, the School District is not a part of the Town's reporting entity. The School District issues separate financial statements which can be obtained through the Mount Greylock Regional School District, 1781 Cold Spring Road, Williamstown, MA 01267.

B. Government-wide and fund financial statements

Government-wide financial statements

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

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

Fund financial statements

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund balance, revenues and expenditures.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Funds are organized as major funds or non-major funds within the governmental and proprietary statements.

C. Measurement focus, basis of accounting, and financial statement presentation

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

The *Governmental fund financial statements* are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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 are recorded in the year levied as receivables and deferred inflows of resources. Property taxes collected up to 60 days after the fiscal year end are included in the current fiscal year revenues with the remaining recognized as revenues in the succeeding year when services financed by the levy are provided. Intergovernmental aids and grants are recognized as revenues in the period the Town is entitled to the resources and the amounts are available. Amounts owed to the Town which are not available are recorded as receivables and deferred inflows of resources. Amounts received prior to the entitlement period are also recorded as deferred inflows of resources.

The Town reports the following major governmental funds:

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

The Town reports the following major proprietary funds:

The *Water, Sewer and Transfer Station Funds* account for the enterprise activities of the Town.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, maintenance and administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Town reports the following fiduciary fund types:

The *Expendable Trust Funds* are used to account for resources legally held in trust for the benefit of individuals, private organizations or other governments.

The *Other Post-Employment Benefits (OPEB) Trust Fund* is used to account for the assets held by the Town in trust for the payment of future retiree health insurance benefits. The assets of the OPEB Trust Fund cannot be used to support the Town's operations.

Accounting estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events

Management has evaluated subsequent events through February 16, 2023, the date that the financial statements were available for issue, and has determined that there are no additional adjustments or disclosures required.

D. Assets, liabilities, and net position or fund balance**Interfund receivables and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “interfund receivables and payables”. Interfund balances result from the time lag between when payments occur between the funds for goods, payroll and services provided or in instances where certain funds do not have cash accounts. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “interfund receivables and payables”.

Property taxes receivable

The Town’s property tax is levied each July 1 on the assessed value listed as of the prior January 1, for all real and personal property located in the Town. Assessed values are established by the Board of Assessors at a percentage of estimated market value. The Town is required to have its assessed values certified by the State every three years. The assessed value for the fiscal 2022 levy was \$1,102,420,124. A tax rate of \$16.92 per thousand was applied to the levy. Real and personal property taxes are due and payable in two installments on November 1 and May 1 following the assessment date. An allowance for uncollectible taxes is determined and recorded based upon the tax levy.

A statewide tax limitation statute known as “Proposition 2 ½” limits the property tax levy to an amount equal to 2 ½% of the value of all taxable property in the Town (levy ceiling). A secondary limitation is that no levy in a fiscal year may exceed the preceding year’s allowable tax levy by more the 2 ½%, plus taxes levied on certain property newly added to the tax rolls (levy limit). Certain Proposition 2 ½ taxing limitations can be overridden by a Town-wide referendum vote. For fiscal year 2022, the Town’s tax levy was \$18,652,949, which was below both its maximum allowable levy limit of \$21,107,934 (levy limit of \$19,862,585 plus debt exclusions of \$1,245,349) and levy ceiling of \$27,560,503.

Motor vehicle assessments are provided by the Massachusetts Registry of Motor Vehicles. Tax rates established by the State are \$25 per thousand.

Inventories and prepaid items

Inventories which are material are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in government-wide financial statements.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value. Interest expense capitalized during the current fiscal year was \$-0-.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> | <u>Assets</u> | <u>Years</u> |
|------------------------------|--------------|--------------------|--------------|
| Buildings | 50 | Vehicles | 5 |
| Building improvements | 20 | Office equipment | 5 |
| Public domain infrastructure | 50 | Computer equipment | 5 |
| System infrastructure | 30 | | |

Compensated absences

It is the Town's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Unused sick leave accumulates from year to year without limitation. Extended sick leave in excess of sixty (60) days in one calendar year shall require the approval of the Board of Selectmen. Eligible employees that retire, and upon proper notification to the Town, shall receive payment for up to sixty (60) days of unused sick leave at the employees' current pay rate. All full-time and permanent part-time employees are eligible for vacation leave. No vacation may be used until the employee has completed 52 weeks of employment. Vacation leave shall be credited to each eligible employee on January 1st of each year in accordance with the Town's personnel policy manual. No more than ten (10) days of vacation leave can be carried forward, and in such cases, must be used by the following June 30th. A liability for these accrued unused sick and vacation leave benefits is reported in the government-wide statement of net position as accumulated unused compensated absences.

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Government-wide and proprietary net positions

Government-wide and proprietary fund net positions are divided into three components:

Invested in capital assets, net of related debt

Consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted

Consist of net assets that are restricted by the Town's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.

Unrestricted

All other net assets are reported in this category.

Governmental fund balances

The Town has implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions. It establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources reported in its financial statements.

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable

Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted

Amounts that can be spent only for specific purposes because of the Town charter, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed

Amounts that can only be used for specific purposes imposed by majority vote of the Town's governing body (i.e., Town Meeting, the highest level of decision making authority). Any changes or removal of specific purposes requires majority action by the governing board.

Assigned

Amounts constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. These include encumbrances and other amounts which have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance voted to be used in the subsequent fiscal year (free cash).

Unassigned

All amounts not included in other spendable classifications.

Encumbrances and continuing appropriations

Encumbrance accounting is employed in the governmental funds as a significant aspect of budgetary control. Encumbrances, through the use of purchase orders, contracts and other applicable appropriation, are amounts that are set aside to pay for goods and services that have not been completed prior to the end of the fiscal year.

Unencumbered appropriations, which are carried over to the following fiscal year, are reported as "continuing appropriations". Continuing appropriations represent amounts appropriated for specific programs or projects, which were not completed during the fiscal year.

Encumbrances and continuing appropriations are reported with restricted, committed, or assigned fund balance in the accompanying balance sheet. Encumbrances and continuing appropriations are combined with expenditures for budgetary comparison purposes.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

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

1. Prior to March 1, the Town Manager submits to the Finance Committee a proposed budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted in the Town to obtain taxpayer comments.
3. The budget is legally enacted at the annual Town meeting by vote of the Town meeting representatives in May.
4. Throughout the fiscal year any unencumbered appropriation, balance or portion thereof, may be transferred from one department, commission, board or office, to another by a vote at a Special Town Meeting. The Finance Committee controls a reserve fund, which, at their discretion, may be used to alter total expenditures.
5. Appropriations for certain projects and specific items not fully expended at the fiscal year-end are carried forward as continued appropriations to the new fiscal year or until project completion. The Town's policy is to carry forward encumbrances as continued appropriations at the fiscal year end.

The Town must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2 ½ and also constitute that amount which will equal the sum of (a) the aggregate of all annual appropriations for expenditures and transfers, including water, sewer, solid waste funds, plus (b) provision for any prior fiscal year's deficits, less (c) the aggregate of all non-property tax revenue, including enterprise user fees, and transfers projected to be received by the Town, including available surplus funds.

The Town's General Fund budget is prepared on a basis that differs from U.S. generally accepted accounting principles (GAAP) in several different ways:

- Property tax revenues are recognized on a modified accrual basis rather than on the full accrual basis (GAAP);
- Budgeted revenues are recorded when cash is received, as opposed to when susceptible to accrual (GAAP);
- Encumbrances and continuing appropriations are recorded as the equivalent of expenditures (budget) as opposed to a reservation of fund balance (GAAP).

A reconciliation of General Fund operations presented in the Governmental Funds (Non-GAAP) to the amounts presented in the budgetary basis statement is as follows:

| | <u>General Fund</u> |
|--------------------------------------------------------------------------------------------|-------------------------|
| Government funds - net change in fund balances | \$ (308,002) |
| Adjustments: | |
| Revenues from recognition on a cash basis | (73,753) |
| Net effect of encumbrances recorded as budget expenditures | (73,017) |
| Less stabilization fund revenue | 41,913 |
| Less stabilization fund transfers | 421,000 |
| Plus other sources - revenue appropriation | <u>1,011,729</u> |
| Excess of revenues and other sources over expenditures and other uses (budgetary basis) | <u>\$ 1,019,870</u> |

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Cash, cash equivalents, and investments

For purposes of the statement of cash flows, the Town considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Investments consist of cash and money market funds, equity and fixed income securities, carried at fair value Level 1 and 2 inputs, described below.

B. Deposits and short-term investments

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits including demand deposits, money markets and certificates of deposit in any one financial institution, may not exceed certain levels unless collateralized by the financial institution involved. Investments may be made in unconditionally guaranteed U.S. Government obligations having maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consist of such obligations. Other allowable investments include authorized bonds of all states, banker's acceptances, commercial paper rated within the three highest classifications established by rating agencies, and units in the Massachusetts Municipal Depository Trust (MMDT).

MMDT is a local government investment pool, established under Massachusetts General Laws, Chapter 29, Section 38A. Deposits in MMDT are reported at amortized cost which approximates the net asset value of \$1.00 per share. An investment in the MMDT cash portfolio is not a deposit of a bank and is neither insured nor guaranteed by the Commonwealth of Massachusetts or the U.S. government, the Federal Deposit Insurance Corporation (FDIC) or any other government agency. The Town currently has no deposits with MMDT.

Concentration Risk

The Town adheres to the provisions of M.G.L. c. 44, sec. 55 when managing concentration risk. M.G.L. c. 44, sec. 55 contains several restrictions limiting where and under what circumstances the Town may deposit its funds. Pursuant to M.G.L. c. 44, sec. 55, cities and towns in the Commonwealth may deposit available fund balances in banks, trust companies, or banking companies, provided that the amounts deposited do not exceed certain thresholds of the capital and surplus of an institution unless satisfactory security for the amount in excess of the threshold is provided by the depository.

Custodial credit risk - deposits and short-term investments

Custodial credit risk is the risk that in the event of bank failure, the Town's deposits may not be returned. The Town carries deposits, and short-term investments (savings accounts and certificates of deposit) that are fully insured by FDIC insurance, collateralized, and deposits that are not collateralized and are uninsured. Bank deposits, including short-term investments as of June 30, 2022 were \$13,046,890 all of which was insured and collateralized.

Investment Policy

The Town's primary concern in connection with its investment activities is a concern shared by all municipal governments: the preservation of capital. In accordance with the Town's *investment policy statement*, certain asset classes can be included in the investment funds in order to construct a diversified investment portfolio that is both prudent and appropriate given the Town's target rate of return, investment objective, and risk tolerance.

The investment parameters and asset allocation definitions that will govern the Investment Manager of the diversified portfolio are included in this *investment policy statement*.

Investment Fair Value

The Town categorizes its fair value measurements for investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

Level 1 inputs are quoted prices available in active markets for identical assets. These instruments generally include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 inputs are significant other observable inputs where the fair value is determined through use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 inputs are significant unobservable inputs and include situations where there is little, if any, market activity for the instrument. These typically require significant management judgment or estimation.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Custodial credit risk - investments

For an investment, custodial credit 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 investment or collateral securities that are in the possession of an outside party.

The Town's investments of \$3,216,057 have a custodial credit risk exposure because the related securities are uninsured, unregistered and held by the counterparty. The Town's policy for custodial credit risk is to limit exposure to only those institutions with a proven financial strength, capital adequacy, and overall affirmative reputation in the municipal industry.

The Town's investments reported at fair value consist of the following at June 30, 2022:

| Investment Type | Fair Value | Fair Value Measurements Using | | |
|-------------------------|---------------------|-------------------------------|---------------------|-------------|
| | | Level 1 | Level 2 | Level 3 |
| Money market | \$ 71,072 | \$ 71,072 | \$ - | \$ - |
| Equity securities | 781,856 | 781,856 | - | - |
| Fixed income securities | <u>2,363,129</u> | <u>253,706</u> | <u>2,109,423</u> | - |
| Total | <u>\$ 3,216,057</u> | <u>\$ 1,106,634</u> | <u>\$ 2,109,423</u> | <u>\$ -</u> |

The above investments are reported in the following funds:

| | |
|-----------------------------------|---------------------|
| Governmental funds | |
| General fund | \$ 212,786 |
| General fund - stabilization fund | 808,666 |
| Special revenue funds | 901,541 |
| Trust funds | <u>607,353</u> |
| Total | 2,530,346 |
| Fiduciary funds | <u>685,711</u> |
| Total | <u>\$ 3,216,057</u> |

C. Receivables

Receivables at June 30, 2022, are as follows:

| | General Fund | Nonmajor and other Funds | Total Governmental Activities | Total Business-type Activities |
|--------------------------------|-------------------|--------------------------------|-------------------------------------|--------------------------------------|
| Taxes receivable | | | | |
| Property and excise taxes | \$ 346,986 | \$ 3,949 | \$ 350,935 | \$ - |
| Tax liens and foreclosures | 113,369 | - | 113,369 | - |
| Total taxes receivable | <u>460,355</u> | <u>3,949</u> | <u>464,304</u> | <u>-</u> |
| Other receivables | | | | |
| Departmental | 49,587 | - | 49,587 | - |
| Other | 69,406 | - | 69,406 | - |
| Water, Sewer, Transfer Station | - | - | - | 344,515 |
| Total other receivables | <u>118,993</u> | <u>-</u> | <u>118,993</u> | <u>344,515</u> |
| Total receivables | <u>\$ 579,348</u> | <u>\$ 3,949</u> | <u>\$ 583,297</u> | <u>\$ 344,515</u> |

Real estate taxes and sewer receivables are secured through the tax lien process and are considered 100% collectible.

Personal property taxes, water, and transfer station receivables cannot be secured through the lien process. Based on the Town's assessment of the outstanding amounts, they have concluded that realization losses on balances outstanding at year end will be immaterial.

D. Capital assets

Capital asset activity for the year ended June 30, 2022 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|----------------------------------------------|----------------------|---------------------|-----------------|----------------------|
| Governmental activities | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 2,669,273 | \$ - | \$ - | \$ 2,669,273 |
| Capital assets, being depreciated: | | | | |
| Buildings | 23,262,655 | - | - | 23,262,655 |
| Machinery and equipment | 2,235,356 | 169,425 | - | 2,404,781 |
| Vehicles | 1,699,985 | 153,914 | (46,089) | 1,807,810 |
| Infrastructure | 16,796,182 | 222,459 | - | 17,018,641 |
| Total capital assets, being depreciated | <u>43,994,178</u> | <u>545,798</u> | <u>(46,089)</u> | <u>44,493,887</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (9,538,141) | (575,899) | - | (10,114,040) |
| Machinery and equipment | (1,531,998) | (203,653) | - | (1,735,651) |
| Vehicles | (1,108,115) | (156,633) | 46,089 | (1,218,659) |
| Infrastructure | (10,570,731) | (411,924) | - | (10,982,655) |
| Total accumulated depreciation | <u>(22,748,985)</u> | <u>(1,348,109)</u> | <u>46,089</u> | <u>(24,051,005)</u> |
| Total capital assets, being depreciated, net | <u>21,245,193</u> | <u>(802,311)</u> | <u>-</u> | <u>20,442,882</u> |
| Governmental activities capital assets, net | <u>\$ 23,914,466</u> | <u>\$ (802,311)</u> | <u>\$ -</u> | <u>\$ 23,112,155</u> |

| | Beginning Balance | Increases | Decreases | Ending Balance |
|----------------------------------------------|----------------------|---------------------|-------------|---------------------|
| Business-type activities | | | | |
| Capital assets, not being depreciated: | | | | |
| Construction in progress | \$ - | \$ 36,716 | \$ - | \$ 36,716 |
| Capital assets, being depreciated: | | | | |
| Water/sewer infrastructure | 11,492,180 | 9,251 | - | 11,501,431 |
| Machinery and equipment | 458,130 | 86,289 | - | 544,419 |
| Vehicles | 354,530 | - | - | 354,530 |
| Total capital assets, being depreciated | <u>12,304,840</u> | <u>95,540</u> | <u>-</u> | <u>12,400,380</u> |
| Less accumulated depreciation for: | | | | |
| Water/sewer infrastructure | (5,686,544) | (220,218) | - | (5,906,762) |
| Machinery and equipment | (441,657) | (9,307) | - | (450,964) |
| Vehicles | (277,737) | (38,044) | - | (315,781) |
| Total accumulated depreciation | <u>(6,405,938)</u> | <u>(267,569)</u> | <u>-</u> | <u>(6,673,507)</u> |
| Total capital assets, being depreciated, net | <u>5,898,902</u> | <u>(172,029)</u> | <u>-</u> | <u>5,726,873</u> |
| Business-type activities capital assets, net | <u>\$ 5,898,902</u> | <u>\$ (135,313)</u> | <u>\$ -</u> | <u>\$ 5,763,589</u> |

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

| | |
|--------------------------------------|---------------------|
| Governmental activities | |
| General government | \$ 11,975 |
| Public Safety | 300,234 |
| Health and Human Services | 3,726 |
| Highways, Streets and Infrastructure | 630,100 |
| Education | 332,948 |
| Library | 34,903 |
| Cemeteries and Parks | 34,223 |
| Total | <u>\$ 1,348,109</u> |
| Business-type activities | |
| Sewer | \$ 111,471 |
| Water | 156,098 |
| Total | <u>\$ 267,569</u> |

E. Long-term debt

General Obligation Bonds

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

General obligation bonds are direct obligations and pledge the full faith and credit of the Town. The following general obligation bonds have been issued:

| | Serial Maturity Through | Interest Rates % | Outstanding June 30, 2021 | Reductions | Outstanding June 30, 2022 |
|------------------------------------------|-------------------------------|---------------------|---------------------------------|-------------------|---------------------------------|
| Governmental activities | | | | | |
| General obligation bond - School | 2025 | 2.0 to 3.0 | \$ 785,000 | \$ 200,000 | \$ 585,000 |
| General obligation bond - Cable Mills | 2025 | 2.0 to 3.0 | 440,000 | 110,000 | 330,000 |
| General obligation bond - Police Station | 2038 | 3.0 to 5.0 | 4,340,000 | 180,000 | 4,160,000 |
| Total governmental activities | | | <u>\$ 5,565,000</u> | <u>\$ 490,000</u> | <u>\$ 5,075,000</u> |

Annual debt service requirements to maturity for general obligation bonds are as follows:

| Year Ending June 30 | Governmental Activities | | |
|---------------------|-------------------------|---------------------|---------------------|
| | Principal | Interest | Total |
| 2023 | \$ 500,000 | \$ 175,388 | \$ 675,388 |
| 2024 | 505,000 | 156,588 | 661,588 |
| 2025 | 505,000 | 140,488 | 645,488 |
| 2026 | 220,000 | 124,238 | 344,238 |
| 2027 | 230,000 | 113,238 | 343,238 |
| 2028 - 2032 | 1,280,000 | 424,040 | 1,704,040 |
| 2033 - 2037 | 1,505,000 | 202,064 | 1,707,064 |
| 2038 | 330,000 | 11,138 | 341,138 |
| Total | <u>\$ 5,075,000</u> | <u>\$ 1,347,182</u> | <u>\$ 6,422,182</u> |

In fiscal year 2018, the Town issued \$4,835,000 in general obligation bonds for the construction of the police station. As part of the debt issuance, the Town received a premium, net of debt issuance costs of \$165,000 which is reported as unamortized bond premium in the government-wide statement of net position. This premium is amortized over the remaining life of the debt, to be fully amortized by 2038. The balance of the unamortized premium as of June 30, 2022 is \$132,000.

The Town pays assessments that include debt service payments to other local governmental units providing services within the Town's boundaries (commonly referred to as overlapping debt). As of June 30, 2022, the Town was responsible for the overlapping debt below:

| | Town's Share |
|-----------------------------------------|-----------------|
| Hoosac Water Quality District | \$ 2,175,084 |
| Mount Greylock Regional School District | \$ 16,805,033 |

The Town is subject to a dual level general debt limit; the normal debt limit and the double debt limit. Such limits are equal to 5% and 10%, respectively; of the valuation of taxable property in the Town as last equalized by the Commonwealth’s Department of Revenue. Debt may be authorized up to the normal debt limit, without state approval. Authorization under the double debt limit, however, requires the approval of the Commonwealth’s Emergency Finance board. Additionally, there are many categories of general obligation debt, which are exempt from the debt limit but are subject to other limitation.

The Town's equalized valuation was \$1,102,420,124 and the 5% normal debt limit available borrowing balance was \$55,121,000 at June 30, 2022. The Town’s available borrowing balance is \$50,046,000 (available borrowing balance of \$55,121,000 less inside the limit debt of \$5,075,000).

F. Temporary borrowings

Under state law and by authorization of the Board of Selectmen, the Town is authorized to borrow funds on a temporary basis as follows:

- To fund current operating costs prior to the collection of revenues through issuance of revenue anticipation notes (RAN).
- To fund capital project costs incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BAN).
- To fund capital project costs incurred in anticipation of federal or state grants through issuance of grant anticipation notes (GAN) or state anticipation notes (SAN).

The Town does not have any short-term anticipation notes outstanding at June 30, 2022.

G. Restricted fund balances

Restricted fund balances of the governmental funds consisted of the following at June 30, 2022:

| | General Fund | Nonmajor Governmental Funds | Total |
|------------------------------------|-----------------------------|-----------------------------------|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Restricted: | | | |
| Reserve for encumbrances | | | |
| Debt service | \$ 7,016 | \$ - | \$ 7,016 |
| Settlement liability | (270,000) | | (270,000) |
| Special revenue funds | - | 1,941,872 | 1,941,872 |
| Expendable trust funds | - | 922,686 | 922,686 |
| Permanent trust funds | <u>-</u> | <u>464,953</u> | <u>464,953</u> |
| Total restricted fund balances | <u>\$ (262,984)</u> | <u>\$ 3,329,511</u> | <u>\$ 3,066,527</u> |

NOTE 4 - OTHER INFORMATION

A. Risk management

Risks transferred to third parties

The Town is exposed to various risks of loss relating to torts; theft or damage of, and destruction of assets; errors and omissions; injuries; and natural disasters. The Town has obtained a variety of commercial liability insurance policies, which pass the risks 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

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

Settlement liabilities

During fiscal year 2021, the Town negotiated a mutual separation of employment with its former town manager in the amount of \$133,182. The Town paid \$10,785 and \$122,397 during fiscal years 2021 and 2022, respectively.

During fiscal year 2021, the Town settled a case with its former police chief. Under the terms of the agreement, the Town will pay a total of \$290,347 through fiscal year 2023. The Town paid \$59,849 and \$115,249 during fiscal years 2021 and 2022, respectively. The remaining amount of \$115,249, to be paid in fiscal year 2023, is reported as a liability on the government-wide statement of net position.

During fiscal year 2022, the Town settled a case with a former police sergeant for \$307,900 which was fully paid during fiscal year 2022.

As of the date of the financial statements, the Town is not aware of any other matters that could have a material adverse effect on the financial condition of the Town.

C. Other postemployment benefits

Plan description and benefits provided

The Town administers a retiree health care benefits program; a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all permanent full-time employees. Employees of the Town and their dependents are eligible for postemployment medical, dental, and life insurance based on the eligibility requirements. A brief description of the plan offered is:

| | |
|------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Retirement Eligibility: | General employees hired before April 2, 2012: retire after attaining age 55 with 10 or more years of service or any age with 20 or more years of service. General employees hired after April 1, 2012: retire after attaining age 60 with 10 or more years of service. Public Safety employees hired before April 2, 2012: retire after attaining age 55 or any age with 20 or more years of service. Public Safety employees hired after April 1, 2012: retire after attaining age 55. |
| Ordinary Disability Eligibility: | Any member who is unable to perform his or her duties due to a non-occupational disability and has ten or more years of creditable service. |
| Accidental Disability Eligibility: | Any member who is unable to perform his or her duties due to a job-related disability. |
| Medical Premiums: | <u>Non-Medicare Plans</u> Network Blue Blue Choice Blue Care Elect Access HMO Blue NE Saver Blue Care Elect PPO Saver <u>Medicare Plans</u> Medex 2 Blue Rx |
| Participant Contributions: | Retired employees contribute 25% or 37% of the total medical premium, depending on the coverage selected. |
| Continuation of Coverage to Spouse after Death of Retiree: | Surviving spouse may continue coverage for lifetime by paying 100% of the required medical premium rate. |
| Dental Coverage: | Dental coverage is provided. Retirees contribute 50% of the monthly premiums. |
| Life Insurance Coverage: | Retirees are eligible for a \$5,000 life insurance benefit. Retirees contribute \$2.55 towards the monthly premiums. |

Plan membership

At June 30, 2022, OPEB plan membership consisted of the following:

| | |
|---------------------------------------------------------------------|------------|
| Active employees | 67 |
| Inactive employees or beneficiaries currently receiving benefits | 110 |
| Total | <u>177</u> |

Actuarial methods and assumptions

The total OPEB liability was determined by an actuarial valuation performed as of July 1, 2021, rolled forward to the measurement date of June 30, 2022 and using the following assumptions, applied to all periods included in the measurement:

| | |
|------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Actuarial Cost Method: | Entry Age Normal |
| Inflation: | 2.40% |
| Discount Rate: | 3.54% per annum |
| Healthcare Cost Trend Rate: | 7.5% for 2021, decreasing 0.6% per year to 5.7%, then grading down to an ultimate trend rate of 3.9%, utilizing the Society of Actuaries Getzen Medical Trend Model. The ultimate medical inflation rate is reached in 2075. |
| Pre-retirement Mortality: | RP-2014 Blue Collar Mortality Table, projected with generational mortality improvement using scale MP-2020. |
| Post-retirement Mortality: | RP-2014 Blue Collar Mortality Table, projected with generational mortality improvement using scale MP-2020. |
| Post-retirement Mortality - Teachers: | RP-2014 White Collar Mortality Table, base year 2014, projected with generational mortality improvement using scale MP-2016. |

Regionalization agreement

Effective July 1, 2018, the Town's elementary school (Williamstown Elementary School) employees became part of the Mount Greylock Regional School District (School District) through a regionalization agreement. In accordance with the agreement, if an employee worked for the Elementary School prior to the effective date of July 1, 2018 and subsequently retires at a later date, then the employer's share of the applicable retiree health insurance premiums will be paid for by the School District. Any health insurance premiums for employees that retired from the Elementary School prior to July 1, 2018 will be paid for by the Town.

Change in net OPEB liability

| | Increase (Decrease) | | |
|-------------------------------------------------------|--------------------------------|---------------------------------------|------------------------------------|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
| Balances at June 30, 2021 | \$ 23,005,164 | \$ 706,226 | \$ 22,298,938 |
| Changes for the year: | | | |
| Service cost | 708,836 | | 708,836 |
| Interest | 504,493 | | 504,493 |
| Changes in benefit terms | - | | - |
| Changes in assumptions | (4,739,927) | | (4,739,927) |
| Differences between actual and expected experience | (2,273,157) | | (2,273,157) |
| Net investment income (loss) | | (110,042) | 110,042 |
| Employer contributions to trust | | 50,000 | (50,000) |
| Employer contributions - premiums | | 715,756 | (715,756) |
| Benefit payments including implicit cost | (715,756) | (715,756) | - |
| Administrative expense | - | - | - |
| Net changes | <u>(6,515,511)</u> | <u>(60,042)</u> | <u>(6,455,469)</u> |
| Balances at June 30, 2022 | <u>\$ 16,489,653</u> | <u>\$ 646,184</u> | <u>\$ 15,843,469</u> |

Trust fund

In fiscal year 2014, the Town adopted Massachusetts General Law Chapter 32B, Section 20, authorizing the establishment of a separate fund to be known as the Other Post-Employment Benefits Liability Trust Fund, and other provisions as outlined in said statute. The assets in the trust fund are held by the Town in an investment account, and are not held in a separate legal trust. Accordingly, the total assets of \$646,184 as of June 30, 2022 are reported as fiduciary funds in the Statement of Fiduciary Net Position.

Discount rate

The discount rate used to measure the total OPEB liability was 3.54% (2.16% in 2021). The projection of cash flows used to determine the discount rate assumed that contributions from the Town will be made in accordance with the Plan's funding policy. Based on those assumptions, the OPEB's fiduciary net position was projected to be insufficient to make all projected payments of current plan members. Therefore, the 3.54% municipal bond rate was applied to all periods to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount and healthcare cost trend rates

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate and healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

| | Discount Rate | | |
|----------------------------------------|------------------------|--------------------|------------------------|
| | 1% Decrease (2.54%) | Current (3.54%) | 1% Increase (4.54%) |
| Net OPEB liability as of June 30, 2022 | \$ 18,274,846 | \$ 15,843,469 | \$ 13,868,155 |

Healthcare Cost Trend Rate

| | 1% Decrease (6.50%) | Current (7.50%) | 1% Increase (8.50%) |
|----------------------------------------|------------------------|--------------------|------------------------|
| Net OPEB liability as of June 30, 2022 | \$ 13,654,159 | \$ 15,843,469 | \$ 18,583,811 |

Deferred outflows and inflows of resources

At June 30, 2022, the Town reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

| | 2022 | |
|-------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 68,777 | \$ 2,136,825 |
| Changes in assumptions | 1,007,344 | 3,482,653 |
| Net difference between projected and actual earnings on OPEB plan investments | 78,133 | - |
| Total | <u>\$ 1,154,254</u> | <u>\$ 5,619,478</u> |

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

| | 2022 |
|------------------------------------------------|-----------------------|
| Year ended June 30: | |
| 2023 | \$ (1,276,460) |
| 2024 | (1,802,660) |
| 2025 | (1,416,588) |
| 2026 | 30,484 |
| Total deferred outflows (inflows) or resources | <u>\$ (4,465,224)</u> |

The Total OPEB liability and deferred outflows of resources is reported in the Town's government-wide Statement of Net Position as follows for the year ended June 30, 2022:

| | Net OPEB Liability | Deferred Outflows of Resources | Deferred Inflows of Resources | Total OPEB Liability, net of Deferred Outflows and Inflows of Resources |
|------------------------------------------------|-----------------------|--------------------------------------|-------------------------------------|-------------------------------------------------------------------------------------|
| Governmental Activities | | | | |
| Town | \$ 9,725,305 | \$ 711,816 | \$ 1,762,625 | \$ 10,776,114 |
| School (employees retired before July 1, 2018) | 5,519,803 | 361,827 | 3,463,656 | 8,621,632 |
| Total | <u>15,245,108</u> | <u>1,073,643</u> | <u>5,226,281</u> | <u>19,397,746</u> |
| Business-type Activities | | | | |
| Water | 302,226 | 43,267 | 211,039 | 469,998 |
| Sewer | 226,669 | 32,451 | 158,280 | 352,498 |
| Transfer Station | 69,466 | 4,893 | 23,878 | 88,451 |
| Total | <u>598,361</u> | <u>80,611</u> | <u>393,197</u> | <u>910,947</u> |
| Totals | <u>\$ 15,843,469</u> | <u>\$ 1,154,254</u> | <u>\$ 5,619,478</u> | <u>\$ 20,308,693</u> |

D. Berkshire County Contributory Retirement System

Plan description

The Town participates in the Berkshire County Contributory Retirement System (the Plan) which is a cost-sharing multiple-employer public employee retirement system covering the employees of 46 member units, except school department employees who serve in a teaching capacity. Eligible employees must participate in the Plan. The Plan is organized under Chapter 34B of the Massachusetts General Laws (MGL) and is subject to the provisions of Chapter 32 of the MGL. The Plan is governed by a five-member board. The board members are appointed or elected as specified by MGL Chapter 34B Section 19(b) for terms ranging from 3 to 6 years. The Plan is also guided by an advisory council comprised of the official "Treasurers" of each member unit. Results of the Plan are based on liabilities developed in an actuarial valuation performed as of January 1, 2020 and rolled forward to the Plan's measurement date of December 31, 2021.

Accounting policy

The Plan follows accounting policies mandated by the Commonwealth of Massachusetts. The accounting records are maintained on the accrual basis of accounting. Contributions from the member's employees are recognized in the period in which employees provide services to the member employers. For the 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 Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan membership

At December 31, 2021, pension plan membership consisted of the following:

| | |
|-----------------------------------------------|--------------|
| Active plan members | 1,172 |
| Retirees and beneficiaries receiving benefits | 854 |
| Inactive members | <u>259</u> |
| Total | <u>2,285</u> |
| Number of participating employers | <u>46</u> |

Benefits and contributions

The Plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the MGL establishes the authority of the Plan, contribution percentages and benefits paid. The Plan's Retirement Board does not have the authority to amend benefit provisions. Employees contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the MGL. The employee's individual contribution percentage is determined by their date of entry into the Plan. In addition, all employees hired after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

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

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

The Plan provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year or five-year average annual rate of regular compensation, depending upon the date of hire.

Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after 10 years of creditable service. A retirement allowance may be received upon reaching age 65 or upon attaining 20 years of service. The Plan also provides for early retirement at age 55 if the participant (1) has a record of 10 years of creditable services, (2) was on the member employer's payroll on January 1, 1978, (3) voluntarily left employment on or after that date, and (4) left accumulated annuity deductions in the fund. A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

Regionalization agreement

Effective July 1, 2018, the Town's elementary school (Williamstown Elementary School) employees became part of the Mount Greylock Regional School District (School District) through a regionalization agreement. In accordance with the agreement, if an employee worked for the Elementary School prior to the effective date of July 1, 2018 and subsequently retires at a later date, then the employer's retirement contribution into the Plan, as actuarially determined, will be paid for by the School District. Any retirement contributions for employees that retired from the Elementary School prior to July 1, 2018 will be paid for by the Town.

Pension liabilities, expense and deferred inflows and outflows of resources

At June 30, 2022, the Town reported a net pension (asset)/liability of (\$1,970,895), deferred outflows related to pensions of \$941,694, and deferred inflows related to pensions of \$3,495,610 for its proportionate share of the net pension (asset)/liability. The net pension (asset)/liability was measured as of December 31, 2021, and the total pension (asset)/liability used to calculate the net pension (asset)/liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension (asset)/liability was based on a projection of the Town's long-term share of contributions to the pension relative to the projected contributions of all participating Plan employers, actuarially determined. Net pension (asset)/liability, deferred outflows/inflows of resources and pension expense are allocated to each employer based on its proportionate share of total employer contributions. At December 31, 2021, the Town's proportion was determined to be approximately 8.39%, which also reflects the employees that became part of the School District and are no longer part of the Town. For the year ended June 30, 2022, the Town recognized pension recovery \$219,876 (pension contribution of \$1,008,877 less a reduction in the net pension liability of \$1,228,753). Contributions made subsequent to the measurement date of December 31, 2021 were \$-0-.

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2021, rolled forward to the measurement date of December 31, 2021 using the following actuarial assumptions, applied to all periods included in the measurement date:

| | |
|----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Investment rate of return: | 6.75% net of pension plan investment expense, including inflation. |
| Salary increases: | 4.25% for Group 1 and 4.75% for Group 4. |
| Inflation: | Not explicitly assumed. |
| Cost of Living Adjustment | 3% of first \$14,000. |
| Mortality | Pre-retirement rates reflect the RP-2014 Blue Collar Employees table projected generationally with Scale MP-2020 (gender distinct). Post retirement rates reflect the RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2020 (gender distinct). For disabled retirees, the rates reflect the RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2020 (gender distinct). |

The investment return assumption is a long-term assumption and is based on capital market expectations by asset class, historical returns, and professional judgment. The market expectations analysis used a building-block approach which included expected returns by asset class and the target asset allocation.

Target allocations

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 rate of return for each major asset class included in the Plan's targeted asset allocation as of December 31, 2021 are summarized in the following table:

| Asset Class | Target Asset Allocation | Long-term Expected Real Rate of Return |
|--------------------------|-------------------------------|-------------------------------------------------|
| Domestic equity | 24.10% | 0.99% |
| International equities | 12.70% | 1.01% |
| Emerging markets equity | 5.00% | 0.80% |
| Core fixed income | 15.10% | 0.11% |
| Value-added fixed income | 6.50% | 0.16% |
| Private equity | 16.60% | 0.61% |
| Real estate | 8.70% | 1.45% |
| Timberland | 2.90% | 0.64% |
| Hedge funds/PCS | 7.80% | 0.28% |
| Overlay | 0.60% | 0.74% |
| Total | 100.00% | |

Changes in net pension liability

| | Berkshire County Retirement System | | | Williamstown | | |
|-------------------------------|-------------------------------------------|--------------------------------|----------------------------------|----------------------------|--------------------------------|----------------------------------|
| | 100% | | | 8.39% | | |
| | Increase (Decrease) | | | Increase (Decrease) | | |
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension (Asset)/Liability | Total Pension Liability | Plan Fiduciary Net Position | Net Pension (Asset)/Liability |
| | (a) | (b) | (a) - (b) | (a) | (b) | (a) - (b) |
| Balances at January 1, 2021 | \$ 315,170,000 | \$ 302,347,000 | \$ 12,823,000 | \$ 26,253,660 | \$ 25,185,504 | \$ 1,068,156 |
| Net changes | <u>20,239,000</u> | <u>56,553,000</u> | <u>(36,314,000)</u> | <u>1,887,155</u> | <u>4,926,206</u> | <u>(3,039,051)</u> |
| Balances at December 31, 2021 | <u>\$ 335,409,000</u> | <u>\$ 358,900,000</u> | <u>\$ (23,491,000)</u> | <u>\$ 28,140,815</u> | <u>\$ 30,111,710</u> | <u>\$ (1,970,895)</u> |

Discount rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 6.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

| | 1% Decrease (5.75%) | Current Discount Rate (6.75%) | 1% Increase (7.75%) |
|-----------------------------------------------------------------|------------------------|-------------------------------------|------------------------|
| Town's proportionate share of the net pension liability (asset) | \$ 1,164,952 | \$ (1,970,895) | \$ (4,630,022) |

Deferred outflows and inflows of resources

At June 30, 2022, the Town reported deferred outflows and deferred inflows of resources related to pensions from the following resources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---------------------------------------------------------------------------------------------------------------|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 166,709 | \$ 6,628 |
| Net difference between projected and actual investment earnings on pension plan assets | - | 3,488,982 |
| Changes in assumptions | 774,985 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | - | - |
| Contributions subsequent to the measurement date | - | - |
| Total | <u>\$ 941,694</u> | <u>\$ 3,495,610</u> |

Deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| | |
|---------------------|-----------------------|
| Year ended June 30, | |
| 2023 | \$ (470,092) |
| 2024 | (875,580) |
| 2025 | (701,824) |
| 2026 | <u>(506,420)</u> |
| Total | <u>\$ (2,553,916)</u> |

The net pension liability and deferred outflows of resources is reported in the Town's Statement of Net Position as follows for the year end June 30, 2022:

| | Governmental Activities | Business-type Activities | Total |
|--------------------------------------------------------------------------|----------------------------|-----------------------------|-------------------|
| Net pension (asset) liability | \$ (1,870,680) | \$ (100,215) | \$ (1,970,895) |
| Deferred inflows of resources | 3,317,867 | 177,743 | 3,495,610 |
| Deferred outflows of resources | <u>(893,811)</u> | <u>(47,883)</u> | <u>(941,694)</u> |
| Net pension liability, net of deferred inflows and outflows of resources | <u>\$ 553,376</u> | <u>\$ 29,645</u> | <u>\$ 583,021</u> |

Pension plan fiduciary net position

The Plan issues separate financial statements which can be obtained through the Berkshire County Retirement Board, 29 Dunham Mall, Pittsfield, MA 01201. In addition, an actuarial valuation is performed every two years, which is available through the Massachusetts Public Employee Retirement Administration Commission, 5 Middlesex Avenue, Suite 304, Somerville, MA 02145.

Payable to pension plan

At June 30, 2022, the Town reported a payable of \$-0- for outstanding amounts of contributions to the pension plan.

E. Deferred compensation

A deferred compensation plan is available to all employees of the Town. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

The Town has contracted with a third party to serve as the fiscal agent and to act as administrator of the deferred compensation plan. The town withholds deferred compensation from participants' pay and remits the withholding to the fiscal agent, which invests the money in accordance with each participant's wishes.

The Town has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. Because the Town does not administer or give investment advice for the plan, in accordance with Governmental Accounting Standards Board Statements, the Town does not report the deferred compensation plan in a fiduciary fund.

F. Leases

The Town, as both lessee and lessor, has entered into various leases with lease terms expiring in 2066.

In accordance with GASB 87, *Leases*, a lease is a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. The Town determines whether a contract conveys control of the right to use the underlying asset by assessing both of the following:

- The right to obtain the present service capacity from use of the underlying asset as specified in the contract, and
- The right to determine the nature and manner of use of the underlying asset as specified in the contract.

The lease term is determined as follows:

- The period during which the Town has a non-cancellable right to use an underlying asset, plus
- Periods covered by the Town's option to extend and/or terminate the lease if it is reasonably certain that it will exercise those options, plus
- Periods covered by the lessor's option to extend and/or terminate the lease if it is reasonably certain that it will exercise those options

Lease recognition and measurement

- The Town accounts for a lease by recognizing a lease liability and a right-to-use intangible lease asset at the beginning of a lease unless it is a short-term lease (12 months or less) or transfers ownership of the underlying asset. The lease liability is measured at the present value of payments to be made over the lease term.
- The leased asset is measured at the amount of the initial measurement of the lease liability plus any payments made to the lessor at or before the beginning of the lease and certain indirect costs. The lease liability is reduced as payments are made and an outflow of resources for interest on the liability is recognized.

The Town, as lessor, leases assets to the following entities:

| Entity | Asset | Annual Rent Income | Current Lease Term Ends |
|-----------------------------------------|------------------------------------|-----------------------|-------------------------------|
| Williamstown Youth Center, Inc. | Land for the Youth Center facility | \$ - | 2/5/2062 |
| Williamstown Historical Museum | Building and land for the Museum | \$ 1 | 9/30/2066 |
| Mount Greylock Regional School District | Elementary school building | \$ 1 | 6/30/2038 |

The Town evaluated the agreements above and determined that none meet the criteria of a lease as defined by GASB 87.

The Town, as lessee, leases assets from the following entities:

| Entity | Asset | Annual Rent Expense | Current Lease Term Ends |
|------------------------------------------|--------------------------------------------------------------------------|------------------------|-------------------------------|
| Williamstown Housing Elderly Corporation | Facility space for senior center | \$ 24,900 | 6/30/2023 |
| Williams College | Land for recreational, youth baseball programs, and other ancillary uses | \$ 1 | 7/1/2033 |

The Town evaluated the agreements above and determined that only the Williamstown Housing Elder Corporation contract met the criteria of a lease, as defined under GASB Statement No. 87, for inclusion on its government-wide statement of net position as a right-to-use lease asset and obligation (see below).

Williamstown Housing Elderly Corporation (WEHC) lease agreement

The Town entered into a lease agreement with WEHC in July 1990 to lease building space in Williamstown, Massachusetts for its senior center. There is a renewal option for an addition seven 5-year periods, extending the lease to June 30, 2030, which has been included in the measurement of the lease asset and related obligation. During fiscal year 2022, monthly rent was \$2,075 or \$24,900 annually.

The right-to-use lease asset and liability for the senior center consisted of the following at June 30, 2022:

| | |
|--------------------------------|-------------------|
| Right-to-use lease asset | |
| Leased building space | \$ 188,563 |
| Less accumulated amortization | <u>(20,950)</u> |
| Right-to-use leased asset, net | <u>\$ 167,613</u> |
| | |
| Lease liability | <u>\$ 170,232</u> |

Minimum future lease payment for the senior center through 2030 are as follows:

| Fiscal Year Ending June 30, | Principal Payments | Interest Payment | Total |
|-----------------------------|-----------------------|---------------------|-------------------|
| 2023 | \$ 18,426 | \$ 6,474 | \$ 24,900 |
| 2024 | 19,177 | 5,723 | 24,900 |
| 2025 | 19,958 | 4,942 | 24,900 |
| 2026 | 20,771 | 4,129 | 24,900 |
| 2027 | 21,617 | 3,283 | 24,900 |
| 2028 - 2030 | <u>41,314</u> | <u>4,418</u> | <u>45,732</u> |
| Total | <u>\$ 141,263</u> | <u>\$ 28,969</u> | <u>\$ 170,232</u> |

G. 2023 Budget

The Town has authorized a fiscal 2023 operating and capital budget which will be financed from the following sources:

| | |
|----------------------------------------------|----------------------|
| Real and personal property tax levy | \$ 19,506,196 |
| Estimated receipts: | |
| State | 1,411,920 |
| Local | 2,199,810 |
| Enterprise Funds | 5,523,577 |
| Community Preservation Funds | 722,700 |
| Other revenue sources for particular purpose | 24,704 |
| Free cash for particular purposes | 872,315 |
| Free cash to reduce the tax rate | <u>250,000</u> |
| Total | <u>\$ 30,511,222</u> |

SUPPLEMENTARY INFORMATION
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2022

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes. The special revenue funds consisted of the following as of June 30, 2022:

- Federal and State Grants Fund
- Revolving Funds
- Community Preservation Fund
- Gifts and Donations Fund
- Other Funds

Expendable Trust Funds

Expendable trust funds are held in a trustee capacity by the Town that accounts for assets and activities restricted to a specific purpose in accordance to the original intent. The principal of the funds can be expended towards only the activities specified. The Town maintains expendable trust funds for the following purposes: library use, maintenance of cemeteries, and affordable housing.

Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs. The Town maintains permanent trust funds for the following purposes: library use and maintenance of cemeteries.