

TOWN OF WAYLAND
MUNICIPAL AFFORDABLE HOUSING TRUST FUND

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

TOWN OF WAYLAND
MUNICIPAL AFFORDABLE HOUSING TRUST FUND

YEARS ENDED JUNE 30, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Town of Wayland Municipal Affordable Housing Trust Fund

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the Town of Wayland Municipal Affordable Housing Trust Fund (the "Trust") as of and for the years ended June 30, 2021 and 2020, as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 audits 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 auditors' 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.

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the Town of Wayland Municipal Affordable Housing Trust Fund, as of June 30, 2021 and 2020, and the changes in financial position thereof for the years 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 Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Melanson

Merrimack, New Hampshire
September 8, 2021

Town of Wayland Municipal Affordable Housing Trust Fund

Management's Discussion and Analysis (MD&A)

YEARS ENDED JUNE 30, 2021 AND 2020

Introduction

The Trustees of the Town of Wayland Municipal Affordable Housing Trust Fund ("Trust") offer readers of the Trust's financial statements this narrative overview and analysis of its financial activities for the years ended June 30, 2021 and 2020. The Trustees encourage readers to read the information presented here in conjunction with additional information that is included in the Trust's financial statements, which follow this narrative.

Organizational Overview and Purpose

The Trust was established pursuant to Chapter 491 of the Massachusetts Acts of 2004, as amended by Sections 1 through 6 of Chapter 109, i.e., M.G.L. c. 44 §55C, and authorized by the vote of the 2014 Annual Town Meeting under Article 12 of the Warrant therefor.

The Trust is governed by a Board of Trustees ("Trustees") consisting of seven members appointed by the Board of Selectmen of the Town of Wayland ("Town"). At least one of the Trustees shall be a member of the Board of Selectmen and, in making the appointments to fill the remaining positions, the Board of Selectmen shall give preference to the following: (i) a member of the Wayland Housing Authority ("WHA"); (ii) a member of the Planning Board; (iii) a member of the Wayland Housing Partnership ("WHP"); (iv) a real estate law specialist licensed to practice law in the Commonwealth of Massachusetts; and (v) two residents.

On August 13, 2019, the Trustee that was a real estate law specialist licensed to practice law in the Commonwealth of Massachusetts resigned. As of June 30, 2021, this position remains vacant.

The purpose of the Trust is to provide for the creation and preservation of affordable housing in the Town for the benefit of low- and moderate-income households.

Operational Highlights

During the year ended June 30, 2021, the activities of the Trust were significantly impacted by the COVID-19 pandemic. These impacts included the following:

- 1) the Trustees chose to hold only one meeting during the year in order to address various administrative matters;
- 2) actions taken by the Federal Reserve, in response to the economic impacts of the pandemic, dramatically reduced interest rates during the year, including those being paid on the Trust's savings accounts and certificates of deposit held at The Village Bank;
- 3) the submission of the Trust's application to the Department of Housing and Community Development ("DHCD") under its Local Initiative Program ("LIP") with respect to the Trust's proposed development of an additional, three-bedroom house on the approximately 0.4 acres of land located at 11 Hammond Road ("Hammond Road") was delayed until May 2021 as a result of the Town's prioritization of COVID-19 related responses; and

- 4) the Trust did not receive any percentage rent under its existing 30-year lease of Hammond Road to the WHA (“Hammond Road Lease”) due to COVID-19 related collection issues associated with its sublease of the existing four-bedroom house located thereon.

As of June 30, 2021, the Trust is still in the process of completing the permitting process required to build the additional house at Hammond Road, which includes pursuing a site eligibility letter from the DHCD. Upon receipt of the site eligibility letter, the Trust plans to apply for a so-called 40B permit from the Town’s Zoning Board of Appeals. The Trust’s revised goal is to complete the permitting process in the fall of 2021 and construction in the spring of 2022.

In September 2019, following its initial marketing of the property for sublease to low- and moderate-income tenants that met certain financial and other required qualifications, the WHA entered into a sublease of the existing Hammond Road house with an “eligible tenant” as defined in the regulatory agreement and declaration of restrictive covenants entered into in June 2019 between the Trust, the Town, the WHA and DHCD. The initial subtenant terminated its sublease and moved out in February 2021 and, following another marketing process, a new subtenant entered into a one-year sublease effective April 1, 2021.

Financial Highlights

The Trust’s accrual basis net position at June 30, 2021 and 2020 was \$1,630,817 and \$1,401,880, respectively, and its aggregate governmental fund balances at June 30, 2021 and 2020 were \$1,180,317 and \$946,021, respectively.

11 Hammond Road

During the years ended June 30, 2021 and 2020, the Trust incurred capital improvement costs of \$0 and \$2,933, respectively, and project expenses of \$500 and \$0, respectively.

On July 1, 2019, following the completion of various ongoing capital improvements, Hammond Road was placed into service and the existing house and equipment began to be depreciated. During the years ended June 30, 2021 and 2020, depreciation expense reflected in the accrual basis financial statements totaled \$5,359 and \$5,353, respectively.

Pursuant to the Hammond Road Lease, the Trust funded a total of \$4,871 of expenses incurred by the WHA with respect to Hammond Road and such amount was reflected in other receivables as of June 30, 2020. In May 2021, the WHA repaid this advance in full.

In addition, the Trust funded a \$2,500 capital improvement reserve which is held by the WHA and such amount is shown as restricted cash in the accompanying financial statements.

Other

During the year ended June 30, 2021, the Town contributed \$229,758 of community housing funds to the Trust from the Community Preservation Fund (“CPF”). Transfers in the amounts of \$119,020 and \$110,738 were authorized at the 2021 and 2020 Annual Town Meetings, respectively, under Article 12 of the Warrants thereof.

The 2020 Annual Town Meeting was delayed until September 2020 due to the COVID-19 pandemic. Due to this delay, no CPF funds were contributed by the Town to the Trust during the year ended June 30, 2020.

Contributions from the Town’s CPF are reported as restricted funds as the use of such funds must be used for “community housing” as defined in M.G.L. c. 44B, §1 et seq. of the Community Preservation Act (“CPA”) and use of such funds is further subject to the CPA’s restrictions and limitations.

During the years ended June 30, 2021 and 2020, the Trust earned interest income of \$8,138 and \$17,877, respectively, on deposits held in two savings accounts and various nonnegotiable certificates of deposit at The Village Bank, and miscellaneous other revenues of \$0 and \$119, respectively.

During the years ended June 30, 2021 and 2020, the Trust incurred administrative expenses of \$3,100 and \$3,927, respectively, which represent audit fees and legal fees and expenses.

All other revenues and contributions from the Town, together with interest earned thereon, also have been classified as “restricted” for financial statement purposes meaning that such funds are restricted to be used by the Trust in advancing its purpose pursuant to M.G.L. c. 44 §55C. The total fund balance amount is restricted by the enabling legislation.

Overview of the Financial Statements

The Trust’s financial statements consist of three components: (i) accrual basis financial statements; (ii) governmental fund financial statements; and (iii) notes to the financial statements.

Accrual basis financial statements - The accrual basis financial statements are designed to provide readers with a broad overview of the Trust’s finances in a manner similar to a private-sector business.

The accrual basis Statements of Net Position present information on all assets and liabilities with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The accrual basis Statements of Activities present information showing how the Trust’s net position changed during the fiscal years ended June 30, 2021 and 2020. 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.

Governmental 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.

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

The Trust is a discretely presented component unit of the Town and included in the Town’s Comprehensive Annual Financial Report.

Request for Information

The financial statements are designed to provide a general overview of the Trust for those with an interest in the Trust’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Town’s Finance Director at 41 Cochituate Road, Wayland, MA 01778.

**TOWN OF WAYLAND
MUNICIPAL AFFORDABLE HOUSING TRUST FUND**

STATEMENTS OF NET POSITION
GOVERNMENTAL ACTIVITIES - ACCRUAL BASIS
As of June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current:		
Cash and cash equivalents	\$ 1,077,424	\$ 132,511
Restricted cash	2,500	2,500
Investments	100,393	806,124
Other receivables	-	4,886
Total current assets	<u>1,180,317</u>	<u>946,021</u>
Noncurrent:		
Capital assets:		
Non-depreciable	252,444	252,444
Depreciable	<u>198,056</u>	<u>203,415</u>
Total noncurrent assets	<u>450,500</u>	<u>455,859</u>
Total assets	<u><u>\$ 1,630,817</u></u>	<u><u>\$ 1,401,880</u></u>
LIABILITIES AND NET POSITION		
Liabilities:	-	-
Total liabilities	<u>\$ -</u>	<u>\$ -</u>
Net Position:		
Net investment in capital assets	450,500	455,859
Restricted	<u>1,180,317</u>	<u>946,021</u>
Total net position	<u>1,630,817</u>	<u>1,401,880</u>
Total liabilities and net position	<u><u>\$ 1,630,817</u></u>	<u><u>\$ 1,401,880</u></u>

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

**TOWN OF WAYLAND
MUNICIPAL AFFORDABLE HOUSING TRUST FUND**

STATEMENTS OF ACTIVITY
GOVERNMENTAL ACTIVITIES - ACCRUAL BASIS
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Governmental Activity:		
Program Revenues:		
Contributions - Town of Wayland	\$ 229,758	\$ -
Other	<u>-</u>	<u>119</u>
Total program revenues	229,758	119
Expenses:		
Project and administrative expenses	(3,600)	(3,927)
Depreciation expense	<u>(5,359)</u>	<u>(5,353)</u>
Total expenses	(8,959)	(9,280)
Net revenues (expenses)	<u>220,799</u>	<u>(9,161)</u>
 General Revenue:		
Investment income	<u>8,138</u>	<u>17,877</u>
Total general revenues	<u>8,138</u>	<u>17,877</u>
 Change in net position	 228,937	 8,716
 Net position, at beginning of year	 <u>1,401,880</u>	 <u>1,393,164</u>
Net position, end of year	<u>\$ 1,630,817</u>	<u>\$ 1,401,880</u>

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

**TOWN OF WAYLAND
MUNICIPAL AFFORDABLE HOUSING TRUST FUND**

GOVERNMENTAL FUND
BALANCE SHEETS
As of June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 1,077,424	\$ 132,511
Restricted cash	2,500	2,500
Investments	100,393	806,124
Other receivables	-	4,886
Total assets	\$ 1,180,317	\$ 946,021
 LIABILITIES AND FUND BALANCES		
Liabilities:	\$ -	\$ -
Total liabilities	-	-
Fund balances:		
Restricted	1,180,317	946,021
Total fund balances	1,180,317	946,021
Total liabilities and fund balances	\$ 1,180,317	\$ 946,021

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

**TOWN OF WAYLAND
MUNICIPAL AFFORDABLE HOUSING TRUST FUND**

RECONCILIATIONS OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES IN THE STATEMENTS OF NET POSITION
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Total governmental fund balances	\$ 1,180,317	\$ 946,021
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund	<u>450,500</u>	<u>455,859</u>
Net position of governmental activities	<u><u>\$ 1,630,817</u></u>	<u><u>\$ 1,401,880</u></u>

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

**TOWN OF WAYLAND
MUNICIPAL AFFORDABLE HOUSING TRUST FUND**

GOVERNMENTAL FUND
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
REVENUES		
Investment income	\$ 8,138	\$ 17,877
Contributions	229,758	-
Other	-	119
Total revenues	237,896	17,996
EXPENDITURES		
Project expenditures	500	2,933
Administrative expenditures	3,100	3,927
Total expenditures	3,600	6,860
Net change in fund balances	234,296	11,136
Fund balances, at beginning of year	946,021	934,885
Fund balances, end of year	\$ 1,180,317	\$ 946,021

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

**TOWN OF WAYLAND
MUNICIPAL AFFORDABLE HOUSING TRUST FUND**

RECONCILIATIONS OF THE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUND TO THE STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Net changes in fund balances - total government fund	\$ 234,296	\$ 11,136
<p>Government fund reports capital outlays as expenditures. However, in the Statements of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Capital outlay purchases	-	2,933
Depreciation	<u>(5,359)</u>	<u>(5,353)</u>
 Change in net position of governmental activities	 <u><u>\$ 228,937</u></u>	 <u><u>\$ 8,716</u></u>

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

Town of Wayland
Municipal Affordable Housing Trust Fund
June 30, 2021 and 2020
Notes to Financial Statements

1. Organization and Purpose

The Town of Wayland Municipal Affordable Housing Trust Fund (“Trust”) was established pursuant to Chapter 491 of the Massachusetts Acts of 2004, as amended by Sections 1 through 6 of Chapter 109, i.e., M.G.L. c. 44 §55C, and authorized by the vote of the 2014 Annual Town Meeting under Article 12 of the Warrant therefor.

The purpose of the Trust is to provide for the creation and preservation of affordable housing in the Town of Wayland (“Town”) for the benefit of low- and moderate-income households.

The Trust is governed by a Board of Trustees (“Trustees”) consisting of seven members appointed by the Board of Selectmen of the Town. At least one of the Trustees shall be a member of the Board of Selectmen and, in making the appointments to fill the remaining positions, the Board of Selectmen shall give preference to the following: (i) a member of the Wayland Housing Authority (“WHA”); (ii) a member of the Planning Board; (iii) a member of the Wayland Housing Partnership (“WHP”); (iv) a real estate law specialist licensed to practice law in the Commonwealth of Massachusetts; and (v) two residents.

As of June 30, 2021 and 2020, there was a vacancy on the Board of Trustees due to the prior resignation of the real estate law specialist appointee.

The Town’s Treasurer/Collector is currently serving as the custodian of the Trust’s funds which are held in two savings accounts and various certificates of deposit at The Village Bank, and the Town’s Finance Director maintains books and records for the Trust within the Town’s financial reporting system.

The Trust shall continue so long as authorized under the Laws of the Commonwealth of Massachusetts. Notwithstanding the foregoing, the Trust may be terminated by the Town’s rescission of its acceptance of the provisions of Chapter 491 of the Acts of 2004, as amended, by majority vote at an annual meeting of the Town pursuant to M.G.L. c. 4, §4B.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accounting and reporting policies of the Trust conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Government Accounting Standards Board (“GASB”) and the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*.

Basis of Presentation

The Trust’s basic financial statements consist of accrual basis financial statements that describe the Trust’s overall financial position and changes in financial position, and governmental fund financial statements that provide a more detailed level of financial information.

Accrual Basis Financial Statements

The accrual basis financial statements, composed of the Statements of Net Position and the Statements of Activities, are reported using the economic measurement focus and the accrual basis of accounting. All economic resources and claims on those economic resources are measured, including fixed assets.

Town of Wayland
Municipal Affordable Housing Trust Fund
June 30, 2021 and 2020
Notes to Financial Statements

Governmental Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The current financial resources measurement focus excludes from measurement resources such as capital assets. Expenditures are recorded when a liability is incurred.

Components of Net Position

Net position in the accrual basis Statements of Net Position is required to be classified into the following three components:

- i. Net Investment in capital assets – the portion of net position that consists of capital assets, net of related accumulated depreciation;
- ii. Restricted – the portion of net position that has constraints placed on its use which are either (A) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (B) imposed by law, through constitutional provisions or enabling legislation, or by other binding documents, e.g., the Declaration of Trust; and
- iii. Unrestricted – the portion of net position that does not meet the definition of either net investment in capital assets or restricted.

Fund Balance Components

Fund balance in the governmental fund Balance Sheets is divided into five classifications based primarily on the extent to which the Trust is bound to observe constraints imposed upon the use of the resources in the governmental fund. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans, if any.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either (i) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (ii) imposed by law, through constitutional provisions or enabling legislation, or by other binding documents, e.g., the Declaration of Trust.

Enabling legislation may include a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Trust can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purpose imposed by formal action of the Trustees. Those committed amounts cannot be used for any other purpose unless the Trustees remove or change the specified use by taking the same type of action they employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classifications may be redeployed for other purposes with appropriate due process. Constraints

Town of Wayland
Municipal Affordable Housing Trust Fund
June 30, 2021 and 2020
Notes to Financial Statements

imposed on the use of committed amounts are imposed by the Trustees, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that the existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the Trust for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Unassigned - The unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Trust applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles may require the Trustees to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financials, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Cash and Cash Equivalents

For financial statement purposes, the Trust considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

Restricted Cash

Restricted cash represents a capital improvement reserve funded by the Trust and held by the WHA for payment of certain expenses related to Hammond Road (as hereinafter defined).

Investments

Investments in nonparticipating contracts, such as nonnegotiable certificates of deposit, are reported at cost. Other investments, if any, are carried at fair market value.

At June 30, 2021 and 2020, the Trust's investments are comprised solely of nonnegotiable certificates of deposit issued by The Village Bank ("NCDs").

Capital Assets

Capital assets, which include land, land improvements, buildings, building improvements, and equipment, are reported in the accrual basis financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, when actual historical cost cannot be determined. Donated capital assets, if any, are recorded at acquisition value.

Town of Wayland
Municipal Affordable Housing Trust Fund
June 30, 2021 and 2020
Notes to Financial Statements

All costs related to acquisitions and capital improvements with expected useful lives of greater than five years are capitalized.

Capital assets (excluding land) are depreciated on a straight-line basis, in accordance with Massachusetts General Laws, starting with the year in which the assets are placed in service.

The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Buildings and improvements	40
Land improvements	20
Equipment	5

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.

Contributions

Contributions from the Town’s Community Preservation Fund (“CPF”) are reported as restricted funds as the use of such funds must be used for “community housing” as defined in M.G.L. c. 44B, §1 et seq. of the Community Preservation Act (“CPA”) and use of such funds is further subject to the CPA’s restrictions and limitations. Contributions from the Town’s general fund are also classified as “restricted” for financial statement purposes meaning that such funds are restricted to be used by the Trust in advancing its purpose pursuant to M.G.L. c. 44 §55C.

3. Cash and Cash Equivalents

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Trust’s deposits may not be returned. M.G.L. c. 44 §55 limits the Trust’s deposits “in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess.” The Town’s investment policy requires the due diligence necessary to affirm the financial strength, capital adequacy, and reputation for any financial institution in which the Town places investments. Due diligence includes reviewing the institution’s financial statements and the background of the sales representatives. The Town minimizes the concentration of credit risk by diversifying the investment portfolio among financial institutions. The policy prohibits the investment of more than ten percent (10%) of cash combined from all Town’s funds in any single financial institution that is not fully collateralized. The Trust does not have a separate custodial credit risk policy.

As of June 30, 2021 and 2020, deposits in excess of FDIC (Federal Deposit Insurance Corporation) limits were insured by the DIF (Depositors Insurance Fund).

Town of Wayland
Municipal Affordable Housing Trust Fund
June 30, 2021 and 2020
Notes to Financial Statements

4. Investments

a. General

Upon advice received from the Town's outside legal counsel, the Trust is considered a separate legal entity and, therefore, is not subject to the Town's investment policies. Nonetheless, the Trustees have determined that it is prudent to have the Town's Treasurer/Collector manage the Trust's liquid assets, where possible, in accordance with the Town's investment policy.

b. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, M.G.L. c. 44 § 55 limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

The Trust investments in the NCDs are exempt from this disclosure.

c. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town's custodial credit risk policy for investments mirrors the custodial credit risk policy for deposits (see Note 3 "*Custodial Credit Risk - Deposits*").

As of June 30, 2021 and 2020, the amount of the NCDs in excess of FDIC limits was insured by DIF.

d. Concentration of Credit Risk

The Town minimizes concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. There are no investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represents 5% or more of total investments of the Town.

As of June 30, 2021 and 2020, the Trust's investments are limited to the NCDs (see "*Custodial Credit Risk*" above).

e. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Town will manage interest rate risk by managing duration in the account. The Town's investment policy requires investment of operating funds to have maturity of one year or less from the date of purchase.

f. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town's policy prohibits exposure to foreign currency.

As of June 30, 2021 and 2020, the Trust has no exposure to foreign currency.

Town of Wayland
Municipal Affordable Housing Trust Fund
June 30, 2021 and 2020
Notes to Financial Statements

g. Fair Value

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

Per GASB 72, fair value measurement exceptions include the nonparticipating interest earning investment contracts, which have a cost-based measurement under GASB 31, paragraph 8. The Trust reports the NCDs on a cost basis.

During the years ended June 30, 2021 and 2020, the Trustees determined that a portion of the Trust’s cash was not required for near term operations.

Due to the substantial decline in short-term interest rates during the year ended June 30, 2021, the Trustees determined that it was not prudent to invest a substantial portion of the Trust’s excess funds in new NCDs given the potential for higher interest rates in the near term. Accordingly, the principal and accrued interest associated with substantially all of the NCDs that matured during the year ended June 30, 2021 was deposited in the Trust’s savings accounts at The Village Bank.

During the year ended June 30, 2020, upon maturity, the accrued interest associated with the maturing NCDs was deposited in the Trust’s savings accounts at The Village Bank and the principal was reinvested in NCDs.

The following tables summarize the NCDs held by the Trust:

As of June 30, 2021:

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Accrued Interest</u>
September 18, 2021	0.50%	\$ <u>100,000</u>	\$ <u>393</u>
Totals		\$ <u>100,000</u>	\$ <u>393</u>

As of June 30, 2020:

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Accrued Interest</u>
September 17, 2020	1.49%	\$100,000	\$1,176
January 5, 2021	1.49%	300,000	2,174
February 13, 2021	1.83%	<u>400,000</u>	<u>2,774</u>
Totals		<u>\$800,000</u>	<u>\$6,124</u>

5. Capital Assets

In September 2017, the Trust acquired an existing four-bedroom single family house and approximately 0.4 acres of land at 11 Hammond Road, Wayland, MA (“Hammond Road”). The total purchase price and acquisition related costs of \$404,980 was allocated between non-depreciable land and depreciable improvements based on their relative fair value at the time of the acquisition.

In June 2019, the Trust and the WHA entered into a 30-year lease of Hammond Road (“Hammond Road Lease”). In addition to fixed rent of \$1.00 per annum, the Trust is entitled to receive percentage rent equal to seventy-five (75%) of the annual net cash flow, if any, received by the WHA from the sublease of Hammond Road. During the years ended June 30, 2021 and

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2020, the Trust did not receive any percentage rent from the WHA due to the impact of subtenant collection issues on cash flow. Pursuant to the Hammond Road Lease, the Trust has certain ongoing funding requirements.

In addition, the Trust, WHA, Town (together, "Town Parties") and Department of Housing and Community Development ("DHCD") entered into a regulatory agreement and declaration of restrictive covenants ("Regulatory Agreement") pursuant to which the Town Parties agreed to restrict the rental of Hammond Road to an "eligible tenant", i.e., a family whose annual income does not exceed eighty percent (80%) of the area median income adjusted for family size as determined by the U.S. Department of Housing and Urban Development. Subject to continued compliance with the Regulatory Agreement, DHCD approved Hammond Road as a "local action unit" within its Local Initiative Program which means Hammond Road is included in the Town's certified inventory of low- and moderate-income units under M.G.L. c. 40B.

In September 2019, following its initial marketing of the property for sublease to low- and moderate-income tenants that met certain financial and other required qualifications, the WHA entered into a sublease of Hammond Road with an "eligible tenant" as defined in the Regulatory Agreement. The initial tenant terminated its sublease and moved out in February 2021 and, following another marketing process, a new tenant entered into a one-year sublease effective April 1, 2021.

During the years ended June 30, 2021 and 2020, the Trust incurred capital improvement costs of \$0 and \$2,933, respectively, and project expenses of \$500 and \$0, respectively. The Trust is exempt from local real estate taxes (see Note 8).

On July 1, 2019, following the completion of various ongoing capital improvements, Hammond Road was placed into service and the existing house and equipment began to be depreciated. During the years ended June 30, 2021 and 2020, depreciation expense reflected in the accrual basis financial statements totaled \$5,359 and \$5,353.

Pursuant to the Hammond Road Lease, the Trust funded a total of \$4,871 of expenses incurred by the WHA with respect to Hammond Road and such amount was reflected as other receivables as of June 30, 2020. In May 2021, the WHA repaid this advance in full.

In addition, the Trust funded a \$2,500 capital improvement reserve which is held by the WHA and such amount is shown as restricted cash in the accompanying financial statements.

The acquisition, acquisition related expenses, capital improvements, capital improvement reserve and project and other expenses related to Hammond Road were funded with cash held in the Trust's savings accounts.

6. Contributions from the Town of Wayland

During the year ended June 30, 2021, the Town contributed \$229,758 of community housing funds to the Trust from the Community Preservation Fund ("CPF"). Transfers in the amounts of \$119,020 and \$110,738 were authorized at the 2021 and 2020 Annual Town Meetings, respectively, under Article 12 of the Warrants therefor.

The 2020 Annual Town Meeting was delayed until September 2020 due to the COVID-19 pandemic. Due to this delay, no CPF funds were contributed by the Town to the Trust during the year ended June 30, 2020.

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The funds authorized at the 2021 and 2020 Annual Town Meetings, which were contributed from funds set aside in the CPF for community housing, were deposited in a separate savings account maintained by the Town, for the benefit of the Trust, at The Village Bank (see Notes 2 and 3).

During the years ended June 30, 2021 and 2020, the Trust invested an aggregate of \$450,000 and \$450,000, respectively, of the amounts previously held in the special savings account noted above in NCDs which are identified as having been funded with funds received from the CPF (see Notes 2 and 4).

7. Related Party Transactions

During the years ended June 30, 2021 and 2020, there were no related party transactions.

8. Income and Other Taxes

Upon prior advice received from the Town's outside legal counsel, the Trust is exempt from federal income taxes by virtue of its status as an "instrumentality" of the Town. To date, the Trust has not sought a private letter ruling from the Internal Revenue Service with respect to its status for federal income tax purposes and it is uncertain whether or not the Trust will do so in the future.

In September 2015, the Trust timely filed its initial Form 1041, *U.S. Income Tax Return for Estates and Trusts*, for the taxable period October 8, 2014 to December 31, 2014, on which the Trust disclosed its tax-exempt status and indicated that no further tax returns will be filed by the Trust. No tax returns were filed for any subsequent taxable years.

Pursuant to M.G.L. c. 44, §55C(g), the Trust is exempt from the provisions of M.G.L. c. 59 and 62, and from any other provisions of law concerning payment of taxes based upon or measured by property or income imposed by the Commonwealth of Massachusetts or the Town. Accordingly, no real estate taxes have been paid on Hammond Road.

9. Subsequent Events

The Trust has evaluated subsequent events through September 8, 2021, the date on which these financial statements were available to be issued.

On July 6, 2021, the Trust received the DHCD site eligibility letter approving the proposed development project at 11 Hammond Road.

On August 5, 2021, the Trust invested an aggregate of \$750,000 in two NCDs at The Village Bank, of which \$450,000 was funded with funds received from the CPF (see Notes 2 and 4). The NCDs mature on August 5, 2022 and have an interest rate of 0.40%.