

TOWN OF WEST NEWBURY, MASSACHUSETTS

Report on Examination of
Basic Financial Statements
and Additional Information
Year Ended June 30, 2015

Report on Internal Control
Over Financial Reporting and
On Compliance and Other Matters
Year Ended June 30, 2015

TOWN OF WEST NEWBURY, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Selectmen
Town of West Newbury, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of West Newbury, Massachusetts, (the Town) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town as of June 30, 2015, and the respective

changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of the Town's proportionate share of net pension liability and contributions to pension plan, the funding progress and contribution funding for other postemployment benefits, and budgetary comparison information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Implementation of New Accounting Standards

As disclosed in the Note III to the financial statements, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* during the fiscal year 2015. Our opinion was not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2015, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Roselli, Clark and Associates
Certified Public Accountants
Woburn, Massachusetts
December 1, 2015

Management's Discussion and Analysis

As the management of the Town, we offer readers of the accompanying financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2015.

Financial Highlights

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by approximately \$26.8 million (*total net position*). Approximately \$23.5 million represented net position of governmental activities and over \$3.3 million represented net position of the business-type activities.
- The government's total net position increased by approximately \$1.2 million. This was due to an increase of \$1.2 million in governmental activities that was primarily the result of favorable operating results in the General Fund, capital additions exceeding depreciation and the pay down of outstanding debt liabilities. The operations of the business-type activities were flat and met expectations.
- The Town's Unassigned Fund Balance reported in the General Fund was approximately \$3.3 million (23.8% of General Fund expenditures). Total Fund Balance in the General Fund was approximately \$3.9 million (28.1% of General Fund expenditures). Total fund balances in the Town's Community Preservation Fund, Library Trust Fund and the Combined Nonmajor Governmental Funds were approximately \$2.4 million, \$1.0 million and \$1.0 million, respectively.
- The Town's total long-term debt decreased by approximately \$0.8 million; nearly all of this decrease related to regular maturities of governmental activities' debt.

Overview of the Financial Statements

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

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. The *statement of net position* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

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

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

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

- Restricted—amounts constrained by external parties, constitutional provision, or enabling legislation
- Committed—amounts constrained by a government using its highest level of decision-making authority
- Assigned—amounts a government intends to use for a particular purpose
- Unassigned—amounts that are not constrained at all will be reported in the general fund.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

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

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. This schedule has been prepared as required supplementary information and can be found along with the corresponding notes in this report.

Proprietary Funds *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The proprietary fund financial statements provide separate information for the water enterprise fund.

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

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

New Significant Accounting Standards Implemented – In fiscal year 2015, the Town adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards board (GASB) that relate to pension activity:

- Statement No. 68, “*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,*” and

Statement No. 68 (Statement) establishes standards of accounting and financial reporting, but not funding or budgetary standards, for the Town’s defined benefit pension plans. This statement replaces the requirements of prior GASB statements impacting account and disclosure of pensions.

The significant impact to the Town of implementing Statement No. 68 is the reporting of the Town’s unfunded pension liability on the Town’s full accrual basis of accounting government-wide financial statements. There are also new note disclosure requirements and supplementary schedules required by the Statement.

In order to implement the Statement, a prior period adjustment was made to the Town’s July 1, 2014 net position. This prior period adjustment decreased the Town’s net position by \$6,482,109 and reflects the reporting of net pension liabilities.

The adoption of Statement No. 68 has no impact on the Town’s governmental fund financial statements, which continue to report expenditures equal to the amount of the Town’s actuarially determined contribution (formerly referred to as the “annual required contribution”). The calculation of pension contributions is also unaffected by this Statement.

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the Town, assets exceeded liabilities by approximately \$26.8 million at the close of the most recent fiscal year.

The following is the condensed statement of net position:

	Governmental activities		Business activities		Total	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
<u>Assets</u>						
Current and other assets	\$ 9,095,080	\$ 8,996,184	\$ 1,287,602	\$ 1,142,884	\$ 10,382,682	\$ 10,139,068
Capital assets, net	24,733,301	24,518,696	2,690,133	2,862,713	27,423,434	27,381,409
Total assets	33,828,381	33,514,880	3,977,735	4,005,597	37,806,116	37,520,477
<u>Deferred outflows of resources</u>	-	-	-	-	-	-
<u>Liabilities</u>						
Long term liabilities	10,019,733	4,830,171	596,807	101,415	10,616,540	4,931,586
Other liabilities	306,026	470,245	27,008	28,364	333,034	498,609
Total liabilities	10,325,759	5,300,416	623,815	129,779	10,949,574	5,430,195
<u>Deferred inflows of resources</u>	25,433	-	2,159	-	27,592	-
<u>Net Position</u>						
Net investment in capital assets	20,944,671	19,968,103	2,605,930	2,766,481	23,550,601	22,734,584
Restricted	4,396,423	4,116,032	-	-	4,396,423	4,116,032
Unrestricted	(1,863,905)	4,130,329	745,831	1,109,337	(1,118,074)	5,239,666
Net Position	\$ 23,477,189	\$ 28,214,464	\$ 3,351,761	\$ 3,875,818	\$ 26,828,950	\$ 32,090,282

By far the largest portion (approximately \$23.6 million) of the Town's net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (approximately \$4.4 million) represents resources that are subject to external restrictions on how they may be used.

The remaining balance of *unrestricted net position* is in deficit by approximately \$1.1 million, resulting primarily from recognition of approximately \$6.5 million of net pension liabilities with the implementation of GASB Statement 68 in fiscal year 2015.

Condensed changes in net position data is presented as follows:

	Governmental activities		Business activities		Total	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 523,207	\$ 546,798	\$ 669,614	\$ 661,040	\$ 1,192,821	\$ 1,207,838
Operating grants and contributions	74,528	226,664	-	-	74,528	226,664
Capital grants and contributions	406,594	507,257	22,000	36,000	428,594	543,257
General revenues:						
Property taxes	12,397,559	12,029,920	-	-	12,397,559	12,029,920
Intergovernmental	431,907	324,031	-	-	431,907	324,031
Other	773,755	870,328	5,766	5,402	779,521	875,730
Total revenues	<u>14,607,550</u>	<u>14,504,998</u>	<u>697,380</u>	<u>702,442</u>	<u>15,304,930</u>	<u>15,207,440</u>
<u>Expenses</u>						
General government	1,240,325	1,204,049	-	-	1,240,325	1,204,049
Public safety	2,177,028	2,162,418	-	-	2,177,028	2,162,418
Education	7,151,173	6,710,355	-	-	7,151,173	6,710,355
Public works	1,644,286	1,515,473	-	-	1,644,286	1,515,473
Health and human services	510,800	529,221	-	-	510,800	529,221
Culture and recreation	484,132	474,147	-	-	484,132	474,147
Community preservation	-	-	-	-	-	-
Debt service	97,075	116,800	-	-	97,075	116,800
Water	-	-	779,334	541,769	779,334	541,769
Total expenses	<u>13,304,819</u>	<u>12,712,463</u>	<u>779,334</u>	<u>541,769</u>	<u>14,084,153</u>	<u>13,254,232</u>
Change in net position before transfers	1,302,731	1,792,535	(81,954)	160,673	1,220,777	1,953,208
Transfers	<u>(65,000)</u>	<u>45,322</u>	<u>65,000</u>	<u>(45,322)</u>	<u>-</u>	<u>-</u>
Change in net position	1,237,731	1,837,857	(16,954)	115,351	1,220,777	1,953,208
Net position, beginning of year	28,214,464	26,376,607	3,875,818	3,760,467	32,090,282	30,137,074
Restatement for net pension liability	<u>(5,975,006)</u>	<u>-</u>	<u>(507,103)</u>	<u>-</u>	<u>(6,482,109)</u>	<u>-</u>
Net position, beginning of year, as restated	<u>22,239,458</u>	<u>26,376,607</u>	<u>3,368,715</u>	<u>3,760,467</u>	<u>25,608,173</u>	<u>30,137,074</u>
Net position, end of year	<u>\$ 23,477,189</u>	<u>\$ 28,214,464</u>	<u>\$ 3,351,761</u>	<u>\$ 3,875,818</u>	<u>\$ 26,828,950</u>	<u>\$ 32,090,282</u>

Governmental Activities - The Town relies significantly on property taxes, which, during 2015, made up approximately 85.0% of total governmental activities revenues, down from 82.9% in the prior year. No other revenues were greater than 10% of total revenues in 2015 or 2014. The decrease is a result of slightly lower revenues from state aid for various operating and capital purposes.

Major expenses were for education which continues to be an area that the Town devotes significant resources. Education represented 53.8% which was up slightly from the prior year of 52.8%. Public safety expenditures represented 16.4% of total expenditures, which was consistent with the prior year ratio of 17.0%. Public works expenditures represented 12.3% of total expenditures, which was consistent with the prior year ratio of 11.9%. No other expense types were greater than 10% of total expenses in 2015 or 2014.

Business-type Activities - Major revenue sources consist of revenue from water user charges which represented approximately 100% of total revenues. Water expenses represented 100% of total business-type expenses.

Financial Analysis of the Government's Funds

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

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

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance in the general fund was approximately \$3.3 million, while total fund balance reached approximately \$3.9 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represented approximately 23.8% of total general fund expenditures, while total fund balance represented approximately 28.1% of that same amount.

The Town's governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$8.3 million. In addition to the \$3.9 million in the general fund previously discussed, there were also restricted fund balances in the Community Preservation Fund and Library Trust Fund of approximately \$2.4 million and \$1.0 million, respectively. The fund balance of the combined Nonmajor funds was approximately \$1.0 million, all of which is restricted.

The Community Preservation Fund has a restricted fund balance of approximately \$2.4 million at the end of the fiscal year, an increase of \$0.3 million over the prior year. This was due to higher state reimbursements and fewer voted projects.

The Library Trust Fund met the criteria for presentation as a major fund in the current year. The fund has a restricted fund balance of approximately \$1.0 million at the end of the fiscal year, which is consistent with the prior year balance as activity was minimal.

The Town reported total fund balances of approximately \$1.0 million in the Combined Nonmajor Governmental Funds, which was relatively unchanged.

Proprietary Funds - The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the year, net position of the water fund was approximately \$3.4 million, which was relatively unchanged from the prior year.

Fiduciary funds - The Town's fiduciary funds include nearly \$1.8 million for a trust established to account for the Town's OPEB activities. The Town is currently fully funded with respect to its accrued actuarial OPEB liability. In addition, the Town maintains over \$0.3 million in various private purpose activities that are also accounted for within its fiduciary funds

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were insignificant. A budget to actual schedule for the general fund has been provided as required supplementary information.

Capital Asset and Debt Administration

Capital Assets - The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounts to approximately \$27.4 million (net of accumulated depreciation).

This investment in capital assets includes land, buildings and improvements, infrastructure, machinery and equipment.

Major capital asset additions for 2015 in the Town's governmental activities include approximately \$0.4 million in roadwork and \$0.2 million in new vehicles.

Additional information on the Town capital assets can be found in Note II, subsection D.

Long-term Debt - At the end of the current fiscal year, the Town had total debt outstanding of approximately \$3.8 million; approximately \$3.75 million is accounted for as general obligation bonds within the governmental activities and approximately \$0.08 million is outstanding long-term debt recorded within its business-type activities.

The Town's total long-term debt decreased approximately \$0.8 million during the fiscal year due to regularly scheduled pay downs of principal.

The Town maintained a bond rating of Aa2 as set by Moody's for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5.0% percent of its total equalized valuation. The current debt limitation for the Town is approximately \$40.2 million, which is significantly in excess of the Town's outstanding general obligation debt.

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

Economic Factors and Next Year's Budgets and Rates

- Consistent with both State and National work force trends, the Town's unemployment rate improved and is now approaching rates in place in 2008 before the latest recession.
- The Town's real estate tax base is made up of approximately 97.1% residential real estate tax. Its commercial, industrial and personal property taxes make up the remainder of the tax base at 2.9%. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town's ability to increase taxes in any one year by more than two and one-half percent (2 ½%) of the previous year tax levy.
- The Town's housing market has improved greatly over the past two years. Housing prices, while still below their 2005 peaks, have steadily risen and housing inventory is at a premium, bolstered by a robust mortgage market.

All of the above items were considered when the Town developed its budget for fiscal year 2016. The Town's tax rate for fiscal year 2016 was certified November 27, 2015.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Finance Director, Town Hall, 381 Main Street, West Newbury, Massachusetts, 01985.

TOWN OF WEST NEWBURY, MASSACHUSETTS

**STATEMENT OF NET POSITION
JUNE 30, 2015**

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 7,584,224	\$ 1,050,220	\$ 8,634,444
Investments	952,544	-	952,544
Receivables, net of allowance for uncollectibles:			
Property taxes	69,452	-	69,452
Departmental and other	182,731	-	182,731
Intergovernmental	62,072	-	62,072
User charges	-	199,926	199,926
Net OPEB asset	244,057	37,456	281,513
Capital assets, not being depreciated	10,741,840	395,662	11,137,502
Capital assets, net of accumulated depreciation	13,991,461	2,294,471	16,285,932
Total Assets	33,828,381	3,977,735	37,806,116
Deferred Outflows of Resources			
	-	-	-
Liabilities			
Warrants and accounts payable	253,512	27,008	280,520
Accrued expenses	51,679	-	51,679
Other liabilities	835	-	835
Noncurrent liabilities:			
Due within one year	794,636	15,399	810,035
Due in more than one year	9,225,097	581,408	9,806,505
Total Liabilities	10,325,759	623,815	10,949,574
Deferred Inflows of Resources			
	25,433	2,159	27,592
Net Position			
Net investment in capital assets	20,944,671	2,605,930	23,550,601
Restricted for:			
Nonexpendable permanent funds	7,500	-	7,500
Community preservation	2,441,682	-	2,441,682
Other purposes	1,947,241	-	1,947,241
Unrestricted	(1,863,905)	745,831	(1,118,074)
Total Net Position	\$ 23,477,189	\$ 3,351,761	\$ 26,828,950

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2015

FIGURE 1: YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Governmental Activities:</u>							
General government	\$ 1,240,325	\$ 263,071	\$ -	\$ -	\$ (977,254)	\$ -	\$ (977,254)
Public safety	2,177,028	232,485	54,097	-	(1,890,446)	-	(1,890,446)
Education	7,151,173	-	-	-	(7,151,173)	-	(7,151,173)
Public works	1,644,286	-	-	240,474	(1,403,812)	-	(1,403,812)
Health and human services	510,800	8,854	8,441	-	(493,505)	-	(493,505)
Culture and recreation	484,132	18,797	11,990	166,120	(287,225)	-	(287,225)
Interest	97,075	-	-	-	(97,075)	-	(97,075)
Total Governmental Activities	13,304,819	523,207	74,528	406,594	(12,300,490)	-	(12,300,490)
<u>Business-Type Activities:</u>							
Water	779,333	669,613	-	22,000	-	(87,720)	(87,720)
Total Primary Government	<u>\$ 14,084,152</u>	<u>\$ 1,192,820</u>	<u>\$ 74,528</u>	<u>\$ 428,594</u>	<u>(12,300,490)</u>	<u>(87,720)</u>	<u>(12,388,210)</u>
<u>General Revenues:</u>							
					12,397,559	-	12,397,559
					682,635	-	682,635
					42,918	-	42,918
					431,907	-	431,907
					48,202	5,766	53,968
					<u>(65,000)</u>	<u>65,000</u>	<u>-</u>
					13,538,221	70,766	13,608,987
					1,237,731	(16,954)	1,220,777
<u>Net Position:</u>							
					22,239,458	3,368,715	25,608,173
					<u>\$ 23,477,189</u>	<u>\$ 3,351,761</u>	<u>\$ 26,828,950</u>

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General	Community Preservation	Library Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 4,150,785	\$ 2,440,008	\$ -	\$ 993,431	\$ 7,584,224
Investments	-	-	952,544	-	952,544
Receivables, net of allowance for uncollectibles					
Real estate and personal property taxes	67,918	1,534	-	-	69,452
Departmental and other	118,759	140	-	63,832	182,731
Intergovernmental	2,614	-	-	59,458	62,072
Total Assets	<u>4,340,076</u>	<u>2,441,682</u>	<u>952,544</u>	<u>1,116,721</u>	<u>8,851,023</u>
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 4,340,076</u>	<u>\$ 2,441,682</u>	<u>\$ 952,544</u>	<u>\$ 1,116,721</u>	<u>\$ 8,851,023</u>
Liabilities:					
Warrants and accounts payable	\$ 225,914	\$ -	\$ -	\$ 27,598	\$ 253,512
Accrued expenses	51,679	-	-	-	51,679
Other liabilities	835	-	-	-	835
Total Liabilities	<u>278,428</u>	<u>-</u>	<u>-</u>	<u>27,598</u>	<u>306,026</u>
Deferred Inflows of Resources:					
Unavailable revenues - property taxes	67,918	1,534	-	-	69,452
Unavailable revenues - other	118,759	140	-	86,925	205,824
Total Deferred Inflows of Resources	<u>186,677</u>	<u>1,674</u>	<u>-</u>	<u>86,925</u>	<u>275,276</u>
Fund Balance:					
Nonspendable	-	-	7,500	-	7,500
Restricted	19,856	2,440,008	945,044	1,002,198	4,407,106
Committed	304,180	-	-	-	304,180
Assigned	266,631	-	-	-	266,631
Unassigned	3,284,304	-	-	-	3,284,304
Total Fund Balances	<u>3,874,971</u>	<u>2,440,008</u>	<u>952,544</u>	<u>1,002,198</u>	<u>8,269,721</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 4,340,076</u>	<u>\$ 2,441,682</u>	<u>\$ 952,544</u>	<u>\$ 1,116,721</u>	<u>\$ 8,851,023</u>

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

Total Governmental Fund Balances	\$ 8,269,721
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	24,733,301
The Town has a net asset related to other postemployment benefits. This long-term asset is not reported in the fund financial statements	244,057
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.	275,276
Deferred outflows and inflows of resources to be recognized in future pension expense are not available resources and, therefore, are not reported in the funds: Net difference between projected and actual earnings on pension plan investments	 (25,433)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the government funds: Bonds and notes payable Capital lease obligations Net pension liability Compensated absences	 (3,753,826) (203,631) (5,960,412) (101,864)
Net Position of Governmental Activities	<u>\$ 23,477,189</u>

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General	Community Preservation	Library Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Real estate and personal property taxes, net	\$ 12,116,703	\$ 276,033	\$ -	\$ -	\$ 12,392,736
Intergovernmental	363,590	166,120	-	355,222	884,932
Motor vehicle and other excises	667,511	-	-	-	667,511
License and permits	199,487	-	-	-	199,487
Departmental and other revenue	200,371	6,418	-	102,733	309,522
Penalties and interest on taxes	42,918	-	-	-	42,918
Fines and forfeitures	22,150	-	-	-	22,150
Investment income	33,105	7,097	6,353	1,647	48,202
Contributions and donations	-	-	-	5,004	5,004
Total Revenues	13,645,835	455,668	6,353	464,606	14,572,462
Expenditures:					
Current:					
General government	883,083	18,922	-	25,654	927,659
Public safety	1,534,272	-	-	59,718	1,593,990
Education	7,281,117	34,089	-	-	7,315,206
Public works	1,592,179	-	-	249,986	1,842,165
Health and human services	483,929	-	-	10,420	494,349
Culture and recreation	329,922	-	1,630	33,318	364,870
Community preservation	-	49,251	-	-	49,251
Pension and other fringe benefits	761,169	-	-	-	761,169
State and county tax assessments	92,022	-	-	-	92,022
Debt service:					
Principal	725,000	-	-	21,192	746,192
Interest	97,075	-	-	-	97,075
Total Expenditures	13,779,768	102,262	1,630	400,288	14,283,948
Excess (Deficiency) of Revenues over Expenditures	(133,933)	353,406	4,723	64,318	288,514
Other Financing Sources (Uses):					
Transfers in	142,322	-	-	-	142,322
Transfers out	(65,000)	-	-	(142,322)	(207,322)
Total Other Financing Sources (Uses)	77,322	-	-	(142,322)	(65,000)
Net Change in Fund Balances	(56,611)	353,406	4,723	(78,004)	223,514
Fund Balances - Beginning	3,931,582	2,086,602	947,821	1,080,202	8,046,207
Fund Balances - Ending	\$ 3,874,971	\$ 2,440,008	\$ 952,544	\$ 1,002,198	\$ 8,269,721

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2015**

	<u>Total</u>
Net Change in Fund Balances - Total Governmental Fund Balances	\$ 223,514
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The net amounts are reflected here as reconciling items:</p>	
Capital outlays	\$ 965,040
Disposal of capital assets	(13,861)
Depreciation expense	<u>(736,574)</u>
Net effect of reporting capital assets	214,605
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither has any effect on Net Position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas these amounts are amortized in the Statement of Activities. The net amount presented here as a reconciling item represents the following differences:</p>	
Repayments of capital lease obligations	36,962
Repayments of debt	<u>746,192</u>
Net effect of reporting long-term debt	783,154
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	35,088
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:</p>	
Compensated absences	(12,304)
Other postemployment benefits	4,513
Pension benefits	<u>(10,839)</u>
Net effect of reporting long-term liabilities	<u>(18,630)</u>
Change in Net Position of Governmental Activities	\$ <u>1,237,731</u>

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

JUNE 30, 2015

	Business-type Activities Enterprise fund Water
Assets:	
Current assets:	
Cash and cash equivalents	\$ 1,050,220
User fees receivable	199,926
Total current assets	<u>1,250,146</u>
Noncurrent assets:	
Net OPEB asset	37,456
Capital assets, not being depreciated	395,662
Capital assets, net of accumulated depreciation	<u>2,294,471</u>
Total noncurrent assets	<u>2,727,589</u>
Total Assets	<u><u>3,977,735</u></u>
Liabilities:	
Current liabilities:	
Warrants and accounts payable	27,008
Bonds and notes payable	12,029
Compensated absences	<u>3,370</u>
Total current liabilities	<u>42,407</u>
Deferred Inflows of Resources	<u>2,159</u>
Noncurrent liabilities:	
Bonds and notes payable	72,174
Compensated absences	3,370
Net pension liability	<u>505,864</u>
Total noncurrent liabilities	<u>581,408</u>
Total Liabilities	<u><u>625,974</u></u>
Net Position:	
Net investment in capital assets	2,605,930
Unrestricted	<u>745,831</u>
Total Net Position	<u><u>\$ 3,351,761</u></u>

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015**

	Business-type Activities Enterprise Fund Water
Operating Revenues:	
Charges for services	\$ 588,704
Other	80,909
Total Operating Revenues	<u>669,613</u>
Operating Expenses:	
Operating costs	601,942
Depreciation	<u>85,833</u>
Total Operating Expenses	<u>687,775</u>
Operating Income (Loss)	<u>(18,162)</u>
Nonoperating Revenues (Expenses):	
Investment income	5,766
Investment expense	(4,812)
Loss on disposal of assets	<u>(86,746)</u>
Total Nonoperating Revenues (Expenses)	<u>(85,792)</u>
Income (Loss) Before Capital Contributions and Transfers	<u>(103,954)</u>
Capital Contributions:	
System development fees	<u>22,000</u>
Transfers:	
Transfers in	<u>65,000</u>
Net Transfers	<u>65,000</u>
Change in Net Position	<u>(16,954)</u>
Total Net Position - Beginning, as restated (see note IV)	<u>3,368,715</u>
Total Net Position - Ending	<u><u>\$ 3,351,761</u></u>

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

**STATEMENT OF CASH FLOW
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015**

	Business-type Activities Enterprise Fund Water
Cash Flows From Operating Activities:	
Receipts from users	\$ 670,600
Payments to employees	(165,869)
Payments to vendors	(439,162)
Net Cash Provided by Operating Activities	65,569
Cash Flows From Noncapital Financing Activities:	
Transfers in	65,000
Net Cash Used for Noncapital Related Financing Activities	65,000
Cash Flows from Capital and Related Financing Activities	
System development fees	22,000
Principal payments on bonds and notes	(12,029)
Interest expense	(4,812)
Net Cash Used for Capital and Related Financing Activities	5,159
Cash flows from Investing Activities	
Investment income	5,766
Net Cash Provided by Investing Activities	5,766
Net Change in Cash and Cash Equivalents	141,494
Cash and Cash Equivalents:	
Beginning of year	908,726
End of year	\$ 1,050,220
Reconciliation of Operating Income to Net Cash Provided	
By (Used for) Operating Activities:	
Operating loss	\$ (18,162)
Depreciation expense	85,833
Changes in assets, deferred inflows, and liabilities:	
Receivables (net)	987
Net OPEB asset	(4,210)
Payables	201
Deferred inflows of resources	2,159
Net pension liability	(1,239)
Net Cash Provided by (Used for) Operating Activities	\$ 65,569

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015**

	OPEB Trust Fund	Private Purpose Trust Funds	Agency Funds
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and cash equivalents	\$ 11,640	\$ 4,518	\$ 60,446
Investments	1,753,092	196,697	-
Receivables	<u>-</u>	<u>115,937</u>	<u>-</u>
Total Assets	<u>1,764,732</u>	<u>317,152</u>	<u>60,446</u>
Liabilities:			
Warrants payable	-	-	6,266
Other liabilities	<u>-</u>	<u>-</u>	<u>54,180</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>60,446</u>
Net Position:			
Held in trust for other postemployment benefits	1,764,732	-	-
Held in trust for other purposes	<u>-</u>	<u>317,152</u>	<u>-</u>
Total Net Position	<u><u>\$ 1,764,732</u></u>	<u><u>\$ 317,152</u></u>	<u><u>\$ -</u></u>

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2015

	OPEB Trust Fund	Private Purpose Trust Funds
	<hr/>	<hr/>
Additions:		
Contributions:		
Employer	\$ 51,356	\$ -
Employee	27,606	-
Investment income	15,271	922
	<hr/>	<hr/>
Total Additions	94,233	922
	<hr/>	<hr/>
Deductions:		
Life and health insurance premiums paid for retirees	55,212	-
Health and human services	-	8,410
	<hr/>	<hr/>
Total Deductions	55,212	8,410
	<hr/>	<hr/>
Change in Net Position	39,021	(7,488)
Total Net Position - Beginning	1,725,711	324,640
	<hr/>	<hr/>
Total Net Position - Ending	<u><u>\$ 1,764,732</u></u>	<u><u>\$ 317,152</u></u>

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town of West Newbury is located in Essex County and was incorporated as a town in 1819. An elected three-member Board of Selectmen governs the Town with an appointed Executive Administrator. Each Board of Selectmen member serves three-year terms. The Town provides governmental services for the territory within its boundaries, including police and fire protection, highway services, water, trash collection, street maintenance, parks and recreational facilities. Water services are funded almost entirely with user charges.

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

The Town is a member community of the Pentucket Regional School District that provides educational services to the three member communities of West Newbury, Groveland and Merrimac. This joint venture assesses each community its share of operational and debt service costs based on student population and other factors. In fiscal year 2014, the Town's share of the operating, capital and debt service expenses was \$6,774,189. There is no equity interest reported in these financial statements. Complete audited financial statements can be obtained directly from the District's administrative office located at 22 Main Street, West Newbury, MA 01985

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

The Town considers property tax revenues to be available if they are collected within 60 days after the end of the fiscal year. Investment income associated with the current fiscal period is susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received and are recognized as revenue at that time.

The government reports the following major governmental funds:

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

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

Library Trust Fund – are used to account for financial resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the Town’s public library.

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

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

Capital Project Funds – are used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

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

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues are user charges and fees, while operating expenses consist of salaries, ordinary maintenance, assessments, indirect costs and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The government reports the following major proprietary fund:

Water - is used to account for user charges collected to finance costs associated with operating and maintaining the Town’s water utility.

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

The government reports the following fiduciary funds:

OPEB Trust Fund – is used to accumulate funds for future payments of other post-employment benefits for retirees such as health and life insurance.

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

Agency Fund – is used to account for assets held in a purely custodial capacity. This fund is primarily used for employee payroll withholdings, private public safety details, student activity funds and developer escrow funds. Agency funds apply the accrual basis of accounting but do not have a measurement focus.

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

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

Investments for the Town are reported at fair value.

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

Real estate taxes and water user fees may be secured through a lien process within 60 days after the due date and are considered 100% collectible. Accordingly, an allowance for uncollectible balances for these receivables is not reported. All personal property tax, excise tax and other departmental receivables are shown net of an allowance for uncollectible balances comprised of those outstanding amounts greater than five years old.

Inventories and Prepaid Items – Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

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

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected lives of greater than two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

Buildings and improvements	40 years
Machinery, equipment, and vehicles	2-12 years
Infrastructure	60 years

Interfund Balances – Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either *due to/from other funds* or *advances to/from other funds*. All other outstanding balances between funds are reported as due to/from other funds.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*.

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

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

Compensated Absences – It is the Town’s policy to not permit employees to accumulate earned but unused vacation benefits beyond their annual contract date, which falls on June 30. Hourly employees who have been employed at least ten years are eligible to buy back 25% of their accumulated sick leave. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting the payroll and related expenditures. Amounts related to these benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in Governmental Funds only if they have matured.

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

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

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources

(expense/expenditure) until then. The Town does not have any items that qualify for reporting as a deferred outflow.

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

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

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

Nonexpendable permanent funds represent the endowment portion of donor restricted trusts that support governmental programs.

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

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

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

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

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

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

(compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

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

Assigned represents amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. The Town has by ordinance authorized the Town Administrator to assign fund balance. The Town Meeting may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the Town's policy to use committed resources first, then assigned, and then unassigned as they are needed.

The Town has not established financial policies with respect to maintaining minimum fund balance amounts.

Stabilization Funds – The Town maintains a general stabilization fund which may be used for any municipal purpose upon a two-thirds vote of the Town Meeting. The balance of the fund totals \$1,084,380 at June 30, 2015 and is reported as unassigned fund balance in the General Fund.

The Town maintains a water stabilization fund which may be used for any water enterprise purpose upon a two-thirds vote of the Town Meeting. The balance of the fund totals \$192,961 at June 30, 2015 and is reported as unrestricted net position in the Water Enterprise Fund.

Encumbrances - The Town's encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal purchasing activity approved by the Town Administrator as assigned, and (2) classify encumbrances that result from an action of the Town Meeting as committed. Encumbrances of funds already restricted, or committed are included within the classification of those fund balances and not reported separately. The Town reports \$32,431 of encumbrances from normal purchasing activity in the general fund as assigned and \$304,180 of encumbrances from Town Meeting votes in the General Fund as committed. There are no encumbrances reported in any other fund.

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

	General Fund	Community Preservation Act Fund	Library Trust Fund	Nonmajor Governmental Funds	Total
Nonspendable:					
Nonexpendable trust funds	\$ -	\$ -	\$ 7,500	\$ -	\$ 7,500
Restricted:					
General Government	-	-	-	637,653	637,653
Public Safety	-	-	-	9,230	9,230
Public Works	-	-	-	1,357	1,357
Health and Human Services	-	-	-	68,761	68,761
Culture and Recreation	-	-	945,044	107,678	1,052,722
Community preservation	-	2,440,008	-	-	2,440,008
Other purposes	19,856	-	-	177,519	197,375
Committed:					
General Government	47,117	-	-	-	47,117
Public Safety	109,575	-	-	-	109,575
Education	12,106	-	-	-	12,106
Public Works	48,834	-	-	-	48,834
Health and Human Services	86,548	-	-	-	86,548
Assigned:					
General Government	11,872	-	-	-	11,872
Public Safety	6,333	-	-	-	6,333
Public Works	9,678	-	-	-	9,678
Health and Human Services	1,548	-	-	-	1,548
Fringe Benefits	3,000	-	-	-	3,000
Subsequent years' budget	234,200	-	-	-	234,200
Unassigned	3,284,304	-	-	-	3,284,304
	<u>\$ 3,874,971</u>	<u>\$ 2,440,008</u>	<u>\$ 952,544</u>	<u>\$ 1,002,198</u>	<u>\$ 8,269,721</u>

E. Excess of Expenditures Over Appropriations and Deficits

Expenditures did not exceed appropriations for any line-items during the fiscal year.

F. Use of Estimates

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

II. Detailed Notes to All Funds

A. Deposits and Investments

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

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

Custodial Credit Risk: Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town's deposit policy requires the Town to maintain no more than 25% of the Town's cash balance in any one institution. At year-end, the carrying amount of the Town's deposits was \$8,711,048 and the bank balance was \$8,595,906. Of the Town's bank balance, \$4,231,367 was covered by either federal depository insurance or by the depositors' insurance fund; \$3,230,706 was collateralized; and the remainder was exposed to custodial credit risk because it was uninsured and uncollateralized..

Custodial Credit Risk: Investments - In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings. The Town's formal policy requires that investments in corporate bonds must be investment grade A or higher by Moody's or Standard and Poor.

United States governmental obligations totaling \$664,820, corporate bond holdings totaling \$254,650, and mutual fund investments totaling \$1,911,614 are exposed to custodial credit risk because the related securities are uninsured, unregistered and are held by the counterparty.

At June 30, 2015, the credit quality ratings of investments were as follows:

Quality Ratings (Moody's)	Investment Type			
	U.S. Government Obligations	Corporate Bonds	Certificates of Deposit	Money Market Mutual Funds
Aaa	\$ 664,820	\$ -	\$ -	\$ -
A1	-	95,325	-	-
A2	-	79,850	-	-
Baa1	-	79,475	-	-
Not rated	-	-	466,683	68,902
Totals	<u>\$ 664,820</u>	<u>\$ 254,650</u>	<u>\$ 466,683</u>	<u>\$ 68,902</u>

Interest Rate Risk – The Town does not have formal investment policies that limit investment maturities as a way of managing its exposure to fair value losses arising from rising interest rates.

Concentration of Credit Risk – The Town does not place a limit on the amount that may be invested in any one issuer. The Town does not maintain balances in any single investment that would represent more than 5% of the Town's total investments

As of June 30, 2015, the Town has the following investments:

	Fair Value Total	Time Until Maturity (In Years)	
		Category <1	Category 1 - 5
U.S. Government obligations	\$ 664,820	\$ -	\$ 664,820
Corporate bonds	254,650	30,217	224,433
Certificates of deposit	466,683 *	280,605	186,078
Money market mutual funds	68,902	68,902	-
	<u>1,455,055</u>	<u>\$ 379,724</u>	<u>\$ 1,075,331</u>
Investments not subject to categorization:			
Mutual funds	1,911,614		
Equities	71,249		
	<u>1,982,863</u>		
Total investments	<u><u>\$ 3,437,918</u></u>		

* Certificates of deposit have also been included in the carrying amount of deposits in the custodial credit risk of deposits as these certificates are subject to federal depository insurance coverage.

B. Receivables

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Real estate and personal property taxes	\$ 67,918	\$ -	\$ 67,918
Tax liens, deferrals, and foreclosures	63,578	-	63,578
Excise	55,181	-	55,181
Community preservation surcharges	1,674	-	1,674
Title V betterments	63,832	-	63,832
Intergovernmental	62,072	-	62,072
Total	<u>\$ 314,255</u>	<u>\$ -</u>	<u>\$ 314,255</u>

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Water user fees	\$ 199,926	\$ -	\$ 199,926
	General Fund	Other Governmental Funds	Total
Receivable type:			
Real estate and personal property taxes	\$ 67,918	\$ -	\$ 67,918
Tax liens, deferrals, and foreclosures	63,578	-	63,578
Excise	55,181	-	55,181
Community preservation surcharges	-	1,674	1,674
Title V betterments	-	63,832	63,832
Intergovernmental	-	23,093	23,093
Total	\$ 186,677	\$ 88,599	\$ 275,276

C. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2015, are summarized as follows:

Transfers Out	Transfers In		
	General Fund	Water Enterprise Fund	Total
General Fund	\$ -	\$ 65,000	\$ 65,000 (1)
Nonmajor Governmental Funds	142,322	-	142,322 (2)
Total	\$ 142,322	\$ 65,000	\$ 142,322

(1) Transfers to water enterprise for water projects.

(2) Transfers to general fund to subsidize operating budgets.

D. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i><u>Governmental Activities:</u></i>				
Capital assets not being depreciated:				
Land	\$ 9,453,482	\$ -	\$ -	\$ 9,453,482
Construction in progress	1,093,476	208,743	(13,861)	1,288,358
Total capital assets not being depreciated	10,546,958	208,743	(13,861)	10,741,840
Capital assets being depreciated:				
Buildings	12,582,448	-	-	12,582,448
Improvements other than buildings	1,568,374	-	-	1,568,374
Infrastructure	7,925,929	399,177	-	8,325,106
Machinery and equipment	796,814	133,268	-	930,082
Vehicles	2,894,677	223,852	75,108	3,193,637
Total capital assets being depreciated	25,768,242	756,297	75,108	26,599,647
Less accumulated depreciation for:				
Buildings	(5,817,771)	(313,511)	-	(6,131,282)
Improvements other than buildings	(1,236,909)	(42,266)	-	(1,279,175)
Infrastructure	(2,242,563)	(139,915)	-	(2,382,478)
Machinery and equipment	(540,442)	(34,161)	-	(574,603)
Vehicles	(1,958,819)	(206,721)	(75,108)	(2,240,648)
Total accumulated depreciation	(11,796,504)	(736,574)	(75,108)	(12,608,186)
Total capital assets being depreciated, net	13,971,738	19,723	-	13,991,461
Governmental activities capital assets, net	<u>\$ 24,518,696</u>	<u>\$ 228,466</u>	<u>\$ (13,861)</u>	<u>\$ 24,733,301</u>
<i><u>Business Activities:</u></i>				
Capital assets not being depreciated:				
Land	\$ 395,662	\$ -	\$ -	\$ 395,662
Construction in process	86,746	-	(86,746)	-
Total capital assets not being depreciated	482,408	-	(86,746)	395,662
Capital assets being depreciated:				
Infrastructure	4,876,754	-	-	4,876,754
Improvement other than buildings	5,570	-	-	5,570
Machinery and equipment	96,735	-	-	96,735
Vehicles	66,838	-	-	66,838
Total capital assets being depreciated	5,045,897	-	-	5,045,897
Less accumulated depreciation for:				
Infrastructure	(2,526,229)	(79,553)	-	(2,605,782)
Improvement other than buildings	(5,571)	-	-	(5,571)
Machinery and equipment	(66,955)	(6,280)	-	(73,235)
Vehicles	(66,838)	-	-	(66,838)
Total accumulated depreciation	(2,665,593)	(85,833)	-	(2,751,426)
Total capital assets being depreciated, net	2,380,304	(85,833)	-	2,294,471
Business activities capital assets, net	<u>\$ 2,775,966</u>	<u>\$ (85,833)</u>	<u>\$ -</u>	<u>\$ 2,690,133</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 77,955
Public safety	243,761
Education	94,711
Public works	251,025
Health and human services	13,769
Culture and recreation	55,353
	<u>\$ 736,574</u>

Business-Type Activities:

Water	<u>\$ 85,833</u>
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E. Capital Leases

The Town has entered into non-cancelable leases for the purchase of a fire truck. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

Assets acquired through capital leases are as follows:

	<u>Amount</u>
<i>Asset:</i>	
Aerial Fire Ladder Truck	\$ 731,019
Less: accumulated depreciation	<u>(475,163)</u>
Total	<u>\$ 255,856</u>

The future minimum lease payments and the present value of the minimum lease payments at June 30, 2015, are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Amount</u>
2016	\$ 44,782
2017	44,782
2018	44,782
2019	44,782
2020	<u>44,782</u>
Total minimum lease payments	223,910
Less: amounts representing interest	<u>(20,279)</u>
Present value of minimum lease payments	<u>\$ 203,631</u>

F. Temporary Debt

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

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

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

Temporary notes are general obligations of the Town and carry maturity dates that are limited by state law. Interest expenditures and expenses for temporary debt are accounted for in the general fund and enterprise funds, respectively.

The Town does not report any temporary debt activity during the current fiscal year.

G. Long-Term Obligations

The Town issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes have been issued for both governmental and business-type activities. Additionally, the Town incurs various other long-term obligations relative to associated personnel costs.

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

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

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
Governmental Activities:					
Bond and note indebtedness	\$ 4,500,018	\$ -	\$ (746,192)	\$ 3,753,826	\$ 741,192
Capital lease obligations	240,593	-	(36,962)	203,631	38,164
Compensated absences	89,560	12,304	-	101,864	15,280
Net pension liability	* 5,975,006	479,682	(494,276)	5,960,412	-
Total Governmental Activities	<u>\$10,805,177</u>	<u>\$ 491,986</u>	<u>\$ (1,277,430)</u>	<u>\$ 10,019,733</u>	<u>\$ 794,636</u>
Business-type Activities: Water					
Bond and note indebtedness	\$ 96,232	\$ -	\$ (12,029)	\$ 84,203	\$ 12,029
Compensated absences	5,183	1,557	-	6,740	3,370
Net pension liability	* 507,103	40,711	(41,950)	505,864	-
Total Business-type Activities: Water	<u>\$ 608,518</u>	<u>\$ 42,268</u>	<u>\$ (53,979)</u>	<u>\$ 596,807</u>	<u>\$ 15,399</u>

* Restated due to GASB 68 implementation (See Note III, Subsection E)

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

The following is a summary of long-term debt obligations as of June 30, 2015:

Description of Issue	Maturing Year	Interest Rate	Beginning Balance	Additions	Maturities	Ending Balance
<i>Governmental Activities:</i>						
General obligation bonds	2025	2.00 - 4.00%	\$ 3,915,000	\$ -	\$ (575,000)	\$ 3,340,000
Refunding bonds	2016	2.00 - 3.00%	395,000	-	(150,000)	245,000
MCWT notes (Title V)	2024	0.00 - 5.25%	190,018	-	(21,192)	168,826
Total Governmental Activities			<u>\$ 4,500,018</u>	<u>\$ -</u>	<u>\$ (746,192)</u>	<u>\$ 3,753,826</u>
<i>Business-type Activities - Water:</i>						
FHA loan	2022	5.00%	\$ 96,232	\$ -	\$ (12,029)	\$ 84,203
Total Business-type Activities: Water			<u>\$ 96,232</u>	<u>\$ -</u>	<u>\$ (12,029)</u>	<u>\$ 84,203</u>

Payments on outstanding bond balances due in future years consist of the following:

Governmental Activities - Total Bond and Note Indebtedness							
Year Ending June 30,	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
2016	\$ 741,192	\$ -	\$ 741,192	\$ 77,615	\$ (3,215)	\$ 74,400	\$ 815,592
2017	601,192	-	601,192	57,172	(2,772)	54,400	655,592
2018	491,192	-	491,192	43,204	(2,204)	41,000	532,192
2019	461,192	-	461,192	33,535	(1,635)	31,900	493,092
2020	456,192	-	456,192	24,244	(1,094)	23,150	479,342
2021 - 2025	1,002,866	-	1,002,866	27,852	(552)	27,300	1,030,166
Total	<u>\$ 3,753,826</u>	<u>\$ -</u>	<u>\$ 3,753,826</u>	<u>\$ 263,622</u>	<u>\$ (11,472)</u>	<u>\$ 252,150</u>	<u>\$ 4,005,976</u>
Business-type Activities: Water - Total Bond and Note Indebtedness							
Year Ending June 30,	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
2016	\$ 12,029	\$ -	\$ 12,029	\$ 4,210	\$ -	\$ 4,210	\$ 16,239
2017	12,029	-	12,029	3,609	-	3,609	15,638
2018	12,029	-	12,029	3,007	-	3,007	15,036
2019	12,029	-	12,029	2,406	-	2,406	14,435
2020	12,029	-	12,029	1,804	-	1,804	13,833
2021 - 2025	24,058	-	24,058	1,804	-	1,804	25,862
Total	<u>\$ 84,203</u>	<u>\$ -</u>	<u>\$ 84,203</u>	<u>\$ 16,840</u>	<u>\$ -</u>	<u>\$ 16,840</u>	<u>\$ 101,043</u>

MCWT Loan Subsidies – The Town has entered into multiple loan agreements with the Massachusetts Clean Water Trust (MCWT) for Title V septic loans. It is expected that the Town will be subsidized by the MCWT on a periodic basis for interest in the amount of \$11,472 until the maturity of these agreements.

Authorized and Unissued Debt – The Town did not have any authorized and unissued debt as of June 30, 2015.

III. Other Information

A. Retirement System

Plan Description – The Town contributes to the Essex Regional Retirement System (ERRS), a multiple-employer defined benefit pension plan established under Chapter 32 of the Commonwealth of Massachusetts General Laws (MGL) and is administered by the Essex Regional Retirement Board (ERRB). Standalone financial statements for the year ended December 31, 2014 were issued and may be obtained by writing to the Essex Regional Retirement System, 401 Maple Street, Suite 202, Danvers MA 01923.

Membership – Membership in the Retirement System as of December 31, 2014, was as follows:

Retirees and beneficiaries currently receiving benefits	1,729
Active plan members	2,677
Inactive plan members	<u>1,110</u>
Total	<u>5,516</u>

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

Membership in the Retirement System is mandatory for all full-time employees and non-seasonal, part-time employees who, in general, regularly work more than twenty hours per week. Teachers and certain administrative personnel employed by the school department participate in a separate pension plan administered by the Massachusetts Teachers' Retirement System, which is the legal responsibility of the Commonwealth of Massachusetts. Members of the Retirement System do not participate in the federal Social Security retirement system.

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

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

The Town contributed \$508,634 to the Retirement System in fiscal year 2015, which was equal to its actuarially-determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll was approximately 22.2% in fiscal year 2015.

Net Pension Liability – At June 30, 2015, the Town reported a liability of \$6,466,276 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. These figures were updated by the

independent actuary to December 31, 2014. There were no material changes made in this update to the actuarial assumptions (see below) nor were there any material changes to the Retirement System's benefit terms since the actuarial valuation.

The Town's proportion of the net pension liability is based on a projection of the Town's long-term share of contributions to the Retirement System relative to the projected contributions of all employers. The Town's proportion was approximately 1.906% at December 31, 2014, which was consistent with the proportion measured at January 1, 2014.

Pension Expense – The Town recognized \$520,393 in pension expense in the statement of activities in fiscal year 2015.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual Experience	\$ —	\$ —
Changes of assumptions	—	—
Net difference between projected and actual earnings on pension plan investments	---	27,592
Changes in proportion and differences between Town contributions and proportionate share of contributions	—	—
Town contributions subsequent to the measurement date	<u>—</u>	<u>—</u>
Total	<u>\$ —</u>	<u>\$ 27,592</u>

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

Year ended June 30,

2016	\$ 6,898
2017	6,898
2018	6,898
2019	6,898

Actuarial Valuation – The measurement of the Retirement System's total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2014. The significant actuarial assumptions used in the January 1, 2014 actuarial valuation included:

Actuarial cost method:	Entry age normal cost method
Amortization method:	Closed – approximate level percent of payroll
Remaining amortization period:	20 years for the fresh start base

Asset valuation method:	Market value adjusted by accounts payable and receivables adjusted to phase in over 5 years investment gains or losses above or below the expected rate of investment return. The actuarial value of assets must be no less than 90% of the adjusted market value nor more than 110% of the adjusted market value.
Investment rate of return:	8.0% per year
Projected salary increases:	Select and Ultimate. 7.5% year one, 6.5% year two, 6.0% year three, 5.5% year four, 5.0% year five, 3.75 ultimate rate.
Cost of living adjustments:	3% of the first \$13,000 of a member's retirement allowance is assumed to be granted every year.
Mortality rates:	Pre-retirement: the RP-2000 mortality table (sex-distinct) projected with scale BB and Generational Mortality. During employment the healthy employee mortality table is used. Post-employment the healthy annuitant table is used.
Disabled life mortality:	The RP-2000 mortality table for healthy annuitants (sex-distinct) projected with scale BB and Generational Mortality set-forward by 2 years. Death is assumed to be due to the same cause as the disability 40% of the time

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Core bonds	13.0%	0.97%
Value-added bonds	10.0%	3.80%
Large cap equities	14.5%	4.61%
Mid/small cap equities	3.5%	4.85%
International equities	16.0%	5.10%
Emerging market equities	6.0%	6.31%
Private equity	10.0%	6.55%
Real estate	10.0%	3.40%
Hedge funds	9.0%	3.64%
Cash/portfolio completion	4.0%	0.00%
Timber/natural resources	4.0%	3.64%

Discount Rate – The discount rate used to measure the total pension was 8.00%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially-determined contribution rates and the member rate. Based on those assumptions, the Retirement System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis – The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 8.00% as well as the Town’s proportionate share of the net pension liability using a discount rate that is one percentage point lower (7.00%) or one percentage point higher (9.00%) than the current rate:

	1% Decrease <u>(7.00%)</u>	Current Discount <u>(8.00%)</u>	1% Increase <u>(9.00%)</u>
Town’s proportionate share of the net pension liability	\$7,978,630	\$6,466,276	\$ 5,248,901

B. Risk Financing

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

The Town participates in a health insurance risk pool administered by the Southeastern Massachusetts Health Group (the Group). The Group offers a variety of premium based plans to its members with each participating governmental unit charged a premium for coverage based on rates established by the Group. In the event the Group is terminated, the Town would be obligated to pay its proportionate share of a deficit, should one exist.

C. Other Postemployment Benefits (OPEB)

Plan Description – In addition to the pension benefits previously described, the Town provides health and life insurance benefits to current and future retirees, their dependents and beneficiaries (hereinafter referred to as the “Plan”) in accordance with Massachusetts General Law Chapter 32B. Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law, and Town ordinance. All benefits are provided through the Town’s insurance program. The Plan does not issue a stand – alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. The number of participants in the Plan consists of 43 active employees and 21 retired employees for a total of 64.

Funding Policy - The contribution requirements of Plan members and the Town are established and may be amended by the Town. Retirees contribute 50% of the calculated contributions and the remainder of the cost is funded by the Town. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Town.

Annual OPEB Cost and Net OPEB Obligation - The Town's annual OPEB cost is calculated based on the annual required contribution "ARC" of the employer, an actuarially determined amount that is calculated in accordance with GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities over a period not to exceed thirty years. The following table reflects the activity regarding the Town's OPEB obligation.

The following table reflects the activity regarding the Town's OPEB obligation:

Annual required contribution (ARC)	\$ 42,633
Annual OPEB cost	42,633
Contributions made	<u>(51,356)</u>
Increase in net OPEB obligation	(8,723)
Net OPEB (asset) obligation at beginning of year	<u>(272,790)</u>
Net OPEB (asset) obligation at end of year	<u><u>\$ (281,513)</u></u>

Trend information regarding annual OPEB cost, the percentage of the annual OPEB cost contributed and the net OPEB obligation is as follows:

Fiscal Year Ending	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2013	\$ 202,407	150%	\$ (160,149)
June 30, 2014	\$ 49,487	328%	\$ (272,790)
June 30, 2015	\$ 42,633*	120%	\$ (281,513)

* Reflected in the Statement of Activities as follows:

The AOPEBC at June 30, 2015 was charged to the following functional programs: General Government \$7,125; Public Safety \$21,744; Public Works \$5,190; Health and Human Services \$1,896; Culture and Recreation \$2,745 and Water \$3,933.

Funding Status and Funding Progress – The funded status of the Plan at June 30, 2015 for the most recent actuarial valuation performed as of July 1, 2013, was as follows:

Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age Normal Cost (B)	Unfunded AAL (UAAL) (B – A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
\$1,410,193	1,550,852	\$ 140,659	0.0%	\$2,201,970	6.4%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Amounts determined regarding the funded status of the Plan and the ARC of the employer are subject to continual revision as estimates are compared to actual results and past expectations.

Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive Plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The significant methods and assumptions as of the latest valuation are as follows:

Valuation date	July 1, 2013
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level dollar (closed)
Remaining amortization period	5
Interest discount rate	7%
Healthcare/Medical cost trend rate	9% grading down to 5% by year 2017 and thereafter

- D. Commitments and Contingencies** – The Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability, if any, at June 30, 2015, cannot be ascertained, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2015.

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

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

E. Implementation of New GASB Pronouncements

Current Year Implementation

In June 2012, the GASB issued GASB Statement No. 67, *Financial Reporting for Pension Plans*. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. This Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. The provisions of this Statement became effective for financial statements for periods beginning after June 15, 2013 and impact the financial reports of the pension systems that communities participate in and not the financial statements of the communities themselves. In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions — an amendment of GASB Statement No. 27*. Statement 68 replaces the

requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The provisions of GASB 68 became effective for the Town in fiscal year 2015 and had a material effect on its financial statements.

In January 2013, the GASB issued GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. GASB 69 established accounting and financial reporting standards to government combinations and disposals of government operations. The provisions of GASB 69 became effective for the Town in fiscal 2015 and did not have a material effect on its financial statements.

In April 2013, the GASB issued GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of GASB 70 is to improve accounting and financial reporting by governments that extend and receive nonexchange financial guarantees. The provisions of GASB 70 became effective for the Town in fiscal year 2015 and did not have a material effect on its financial statements.

In November 2013, the GASB issued GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The objective of GASB 71 is to address an issue regarding application of the transition provisions of GASB 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined pension plan after the measurement date of the government's beginning net pension liability. The provisions of GASB 71 became effective for the Town in fiscal year 2015 and had a material effect on its financial statements.

Future Year Implementation

In February 2015, the GASB issued GASB Statement No. 72, *Fair Value Measurement and Application*. GASB 72 addresses accounting and financial reporting issues relating to fair value measurements by providing guidance for determining a fair value measurement for financial reporting purposes. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2015 (fiscal year 2016). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2015, the GASB issued GASB Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement No. 68 and Amendments to Certain Provision of GASB Statement No. 67 and No. 68*. The objective of GASB 73 is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2015 (fiscal year 2016) – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within

the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2106 (fiscal year 2017). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2015, the GASB issued GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. GASB 74's objective is to improve the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2016 (fiscal year 2017). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*. GASB 75 established new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2017 (fiscal year 2018). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2015, the GASB issued GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of GASB 76 is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2015 (fiscal year 2016). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

IV. Prior Period Restatement

Net position reported in the Town's June 30, 2014 financial statements was restated to recognize the implementation of GASB Statement 68, which required the Town to record its share of the net pension liability. The result of the restatements was as follows:

	Governmental Activities	Business-type Activities	Water Enterprise
Prior year as presented	\$ 28,214,464	\$ 3,875,818	\$ 3,875,818
Net pension liability	(5,975,006)	(507,103)	(507,103)
As Restated	<u>\$ 22,239,458</u>	<u>\$ 3,368,715</u>	<u>\$ 3,368,715</u>

TOWN OF WEST NEWBURY, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2015

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

(dollar amounts are in thousands)

	Year Ended December 31, <u>2014</u>
Town's proportion of the net pension liability (asset)	1.906%
Town's proportionate share of the net pension liability (asset)	\$ 6,466
Town's covered-employee payroll	\$ 2,288
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	282.6%
Plan fiduciary net position as a percentage of the total pension liability	52.3%

SCHEDULE OF THE TOWN CONTRIBUTIONS TO PENSION PLAN

(dollar amounts are in thousands)

	Year Ended December 31, <u>2014</u>
Actuarially determined contribution	\$ 509
Contributions in relation to the actuarially determined contribution	<u>509</u>
Contribution deficiency (excess)	<u>\$ -</u>
Town's covered-employee payroll	\$ 2,288
Contributions as a percentage of covered-employee payroll	22.2%

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

See accompanying independent auditors' report.

TOWN OF WEST NEWBURY, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - OPEB
YEAR ENDED JUNE 30, 2015

SCHEDULE OF FUNDING PROGRESS

Other Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
7/1/2013	\$ 1,410,193	\$ 1,550,852	\$ 140,659	90.9%	\$ 2,201,970	6.4%
7/1/2010	-	2,790,897	2,790,897	0.0%	2,082,947	134.0%
7/1/2007	-	2,819,000	2,819,000	0.0%	2,300,000	122.6%

SCHEDULE OF CONTRIBUTION FUNDING

Other Postemployment Benefits

Year Ended June 30	Annual OPEB Cost	(A) Actual Contributions	Percentage Contributed
2015	\$ 42,633	\$ 51,356	120%
2014	49,487	162,128	328%
2013	202,407	304,109	150%
2012	276,696	335,813	121%

See accompanying notes to required supplementary information

TOWN OF WEST NEWBURY, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Encumbrances	Actual	Variance
	Original	Final	Budgetary	and continuing	Budgetary	Positive
	Budget	Budget	Amounts	appropriations	Adjusted	(Negative)
REVENUES						
Real estate and personal property taxes, net	\$ 12,019,540	\$ 12,019,540	\$ 12,116,703		\$ 12,116,703	\$ 97,163
Intergovernmental	347,101	347,101	363,590		363,590	16,489
Motor vehicle and other excises	531,047	531,047	667,511		667,511	136,464
License and permits	161,338	161,338	199,487		199,487	38,149
Departmental and other revenue	153,583	153,583	200,371		200,371	46,788
Penalties and interest on taxes	52,426	52,426	42,918		42,918	(9,508)
Fines, Fees and forfeitures	19,916	19,916	22,150		22,150	2,234
Investment income	15,000	15,000	26,844		26,844	11,844
Total Revenues	13,299,951	13,299,951	13,639,574		13,639,574	339,623
EXPENDITURES						
General government	1,081,763	1,087,608	912,968	\$ 58,989	971,957	115,651
Public safety	1,624,343	1,766,716	1,534,272	115,908	1,650,180	116,536
Education	7,407,805	7,330,354	7,281,116	12,106	7,293,222	37,132
Public works	1,554,296	1,693,586	1,608,990	58,512	1,667,502	26,084
Health and human services	575,644	614,721	483,929	88,096	572,025	42,696
Culture and recreation	330,750	331,750	329,922	-	329,922	1,828
Fringe Benefits	764,633	764,768	761,169	3,000	764,169	599
State and county tax assessments	71,942	92,022	92,022	-	92,022	-
Debt service	822,075	822,075	822,075	-	822,075	-
Total Expenditures	14,233,251	14,503,600	13,826,463	\$ 336,611	14,163,074	340,526
OTHER FINANCING SOURCES (USES)						
Transfers in	160,095	160,095	189,017		189,017	28,922
Transfers out	(300,000)	(365,000)	(365,000)		(365,000)	-
Total Other Financing Sources (Uses)	(139,905)	(204,905)	(175,983)		(175,983)	28,922
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE						
	(1,073,205)	(1,408,554)	\$ (362,872)		\$ (699,483)	\$ 709,071
Other Budgetary Items:						
Undesignated surplus (free cash)	\$ 196,548	\$ 669,744				
Prior year encumbrances	876,657	738,810				
Total Other Budgetary Items	1,073,205	1,408,554				
Net Budget	\$ -	\$ -				

See accompanying independent auditors' report.

See accompanying notes to required supplementary information.

TOWN OF WEST NEWBURY, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2015

I. Budgetary Basis of Accounting

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

The Town adopts an annual budget for the general fund in conformity with the guidelines described above. During fiscal year 2015, Town Meeting approved approximately \$300,000 in supplemental budgetary increases.

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

Budgetary-to-GAAP Reconciliation – The Town’s general fund is prepared on a basis other than GAAP. A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2015, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 13,639,574
Stabilization investment income	\$ -	\$ 6,261	6,261
Revenues on a GAAP basis	<u>\$ -</u>	<u>\$ 6,261</u>	<u>\$ 13,645,835</u>
Expenditures on a budgetary basis			\$ 13,826,463
Enterprise Fund indirect costs reported as expenditures	\$ -	\$ (46,695)	(46,695)
Expenditures on a GAAP basis	<u>\$ -</u>	<u>\$ (46,695)</u>	<u>\$ 13,779,768</u>
Other financing sources (uses) on a budgetary basis			\$ (175,983)
Enterprise Fund indirect costs reported as expenditures	\$ -	\$ (46,695)	(46,695)
Stabilization transfers, net	-	93,000	93,000
Transfers not budgeted	207,000	-	207,000
Other financing sources (uses) on a GAAP basis	<u>\$ 207,000</u>	<u>\$ 46,305</u>	<u>\$ 77,322</u>



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Members of the Board of Selectmen
Town of West Newbury, Massachusetts

We have audited, 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, the financial statements of the Town of West Newbury, Massachusetts (the "Town"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 1, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
December 1, 2015