

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF WEST NEWBURY, MASSACHUSETTS

Report on Examination of the Basic Financial Statements and
Additional Information

Year Ended June 30, 2018



TOWN OF WEST NEWBURY, MASSACHUSETTS

TABLE OF CONTENTS YEAR ENDED JUNE 30, 2018

	<u>Page</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	1-2
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u>	3-9
<u>BASIC FINANCIAL STATEMENTS:</u>	
Government-Wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements	
Balance Sheet – Governmental Funds	12
Reconciliation of the Governmental Funds Balance Sheet Total Fund	
Balances to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances –	
Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in	
Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Net Position – Proprietary Funds	16
Statement of Revenues, Expenses, and Changes in Net	
Position – Proprietary Funds	17
Statement of Cash Flows – Proprietary Funds	18
Statement of Fiduciary Net Position – Fiduciary Funds	19
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	20
Notes to Basic Financial Statements	21-46
<u>REQUIRED SUPPLEMENTARY INFORMATION:</u>	
Schedule of the Town's Proportionate Share of Net Pension Liability	47
Schedule of the Town's Contributions to Pension Plan	47
Schedule of Changes in Net OPEB Liability and Related Ratios	48
Schedule of OPEB Contributions	49
Schedule of Investment Returns – OPEB Plan	49
Schedule of Revenues, Expenditures and Changes in Fund Balances –	
Budget and Actual – General Fund	50
Notes to Required Supplementary Information	51
<u>OTHER REPORTS:</u>	
Report on Internal Control Over Financial Reporting and on Compliance and Other	
Matters Based on an Audit of Financial Statements Performed in	
Accordance with <i>Government Auditing Standards</i>	52-53



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, 2018, 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, 2018, 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.

Restatement of Prior Year Ending Balances

As more fully described in Note IV, a restatement of prior year ending net position balances was made to the Town's governmental activities, business-type activities and each Enterprise Fund. Our opinion was not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2019 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 & Associates

Roselli, Clark and Associates
Certified Public Accountants
Woburn, Massachusetts
January 27, 2019

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, 2018.

Financial Highlights

- The assets and deferred outflows of financial resources of the Town exceeded its liabilities and deferred inflows of financial resources at the close of the most recent fiscal year by nearly \$29.0 million (*total net position*). Over \$25.7 million represented net position of governmental activities and over \$3.2 million represented net position of the business-type activities.
- The government's total net position increased by nearly \$0.8 million. This was due to an increase of over \$0.7 million in governmental activities that was primarily the result of favorable operating results due to the continued expansion in the economy. Business-type activities net position increased almost \$0.1 million and met expectations.
- The Town's Unassigned Fund Balance reported in the General Fund was approximately \$4.1 million (28.4% of General Fund expenditures). Total Fund Balance in the General Fund was approximately \$4.8 million (33.2% of General Fund expenditures). Furthermore, reported fund balances in the Town's Community Preservation Fund, Library Trust Fund and the Combined Nonmajor Governmental Funds were approximately \$2.6 million, \$0.9 million and \$0.7 million, respectively.
- The Town's total long-term debt increased by approximately \$1.2 million; the increase related to \$1.7 million of bonds issued in the water enterprise fund, offset by regularly scheduled maturities in business-type and governmental funds.

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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, 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 three categories: governmental funds, proprietary funds and fiduciary funds.

Accounting guidelines 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 or in other major funds if negative

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

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

The Town maintains a number of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, community preservation fund, 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 – The Town maintains only one type of proprietary fund. *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. The Town includes the activities of its Other Postemployment Trust Benefits Trust fund and poor and scholarship funds. 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.

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, contributions to pension plan, and 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, the assets and deferred outflows of financial resources of the Town exceeded liabilities and deferred inflows of financial resources by approximately \$29.0 million at the close of the most recent fiscal year.

The condensed statement of net position is as follows:

	Governmental activities		Business activities		Total	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
<u>Assets</u>						
Current and other assets	\$ 9,851,378	\$ 9,357,921	\$ 2,914,758	\$ 1,207,112	\$ 12,766,136	\$ 10,565,033
Capital assets, net	24,642,410	24,823,959	2,633,977	2,653,242	27,276,387	27,477,201
Total assets	34,493,788	34,181,880	5,548,735	3,860,354	40,042,523	38,042,234
<u>Deferred Outflows of Resources</u>	607,376	676,875	51,548	57,447	658,924	734,322
<u>Liabilities</u>						
Long term liabilities	8,350,075	9,227,343	2,290,989	635,845	10,641,064	9,863,188
Other liabilities	323,036	228,422	-	12,340	323,036	240,762
Total liabilities	8,673,111	9,455,765	2,290,989	648,185	10,964,100	10,103,950
<u>Deferred Inflows of Resources</u>	712,465	289,999	61,873	24,612	774,338	314,611
<u>Net Position</u>						
Net investment in capital assets	22,827,411	22,538,960	885,861	2,593,097	23,713,272	25,132,057
Restricted	4,244,121	4,504,285	-	-	4,244,121	4,504,285
Unrestricted	(1,355,944)	(1,930,254)	2,361,560	651,907	1,005,616	(1,278,347)
Net Position	\$ 25,715,588	\$ 25,112,991	\$ 3,247,421	\$ 3,245,004	\$ 28,963,009	\$ 28,357,995

By far the largest portion 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, 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 represents resources that are subject to external restrictions on how they may be used. *Unrestricted net position* reflects the remainder of net position; a balance of approximately \$1.0 million. This consisted of Governmental Activities unrestricted net position which is in a deficit position of nearly \$1.4 million offset by nearly \$2.4 unrestricted net position in the business-type activities. This is due primarily from the recognition of almost \$6.8 million of net pension liabilities recorded in accordance with GASB 68.

Condensed changes in net position data is presented as follows:

	Governmental activities		Business activities		Total	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 578,168	\$ 555,354	\$ 801,183	\$ 708,444	\$ 1,379,351	\$ 1,263,798
Operating grants and	83,667	91,783	-	-	83,667	91,783
Capital grants and contributions	304,686	332,898	3,090	20,000	307,776	352,898
General revenues:						
Property taxes	13,334,033	13,066,188	-	-	13,334,033	13,066,188
Intergovernmental	459,136	331,847	-	-	459,136	331,847
Other	856,666	851,511	15,980	4,830	872,646	856,341
Total revenues	15,616,356	15,229,581	820,253	733,274	16,436,609	15,962,855
<u>Expenses</u>						
General government	1,600,552	1,365,126	-	-	1,600,552	1,365,126
Public safety	2,582,926	2,597,432	-	-	2,582,926	2,597,432
Education	7,771,599	8,008,452	-	-	7,771,599	8,008,452
Public works	1,679,252	1,754,337	-	-	1,679,252	1,754,337
Health and human services	613,288	575,616	-	-	613,288	575,616
Culture and recreation	579,864	590,113	-	-	579,864	590,113
Debt service	41,000	62,300	-	-	41,000	62,300
Water	-	-	758,585	744,835	758,585	744,835
Total expenses	14,868,481	14,953,376	758,585	744,835	15,627,066	15,698,211
Change in net position	747,875	276,205	61,668	(11,561)	809,543	264,644
Net position, beginning of year	25,112,991	24,836,786	3,245,004	3,256,565	28,357,995	28,093,351
Restatement for net OPEB liability	(145,278)	-	(59,251)	-	(204,529)	-
Net position, beginning of year as restated	24,967,713	24,836,786	3,185,753	3,256,565	28,153,466	28,093,351
Net position, end of year	\$ 25,715,588	\$ 25,112,991	\$ 3,247,421	\$ 3,245,004	\$ 28,963,009	\$ 28,357,995

Governmental Activities - The Town relies significantly on property taxes, which, during 2018, made up approximately 85.4% of total governmental activities revenues, an increase of \$0.3 million over the prior year. In Massachusetts, Town's cannot increase property taxes more than 2.5% of the prior year commitment, plus new growth and voted operating and debt exclusions; so, this increase met the statutory amount expected during 2018. All other revenue amounts were either consistent with the prior year or not material in amount.

Major expenses were for education which continues to be an area that the Town devotes significant resources. Education represented 52.3% of total expenses; this was consistent with the prior year amount of 53.6%. All other functional expense categories were up slightly or flat with the prior year primarily due to a modest increase in benefits that were allocated to each function.

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. Revenues and expenses were consistent with the prior year.

Financial Analysis of the Governmental 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 \$4.1 million, while total fund balance reached approximately \$4.8 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 28.4% of total general fund expenditures, while total fund balance represented approximately 33.2% of that same amount.

The Town's governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$9.1 million. In addition to the \$4.8 million in the general fund previously discussed, there were also restricted fund balances in the Community Preservation Fund and Library Trust Fund of approximately \$2.6 million and \$0.9 million, respectively. The fund balance of the combined Nonmajor funds was approximately \$0.7 million, most of which is restricted.

The General Fund balance increased by about \$0.2 million due to continued robust operations benefitting from the continued economic expansion.

The Community Preservation Fund balance increased by \$0.4 million over the prior year; this was primarily due to less voted projects as compared to lower State matched revenue.

The Library Trust Fund met the criteria for presentation as a major fund in the current year. The fund's restricted fund balance was consistent with the prior year balance as activity was minimal.

The combined Nonmajor funds declined by about \$0.1 million; this was mainly due to timing of revenues and expenditures as these funds are intended to net over time.

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 \$3.2 million, which was relatively unchanged from the prior year.

Fiduciary funds - The Town's fiduciary funds include nearly \$2.1 million for a trust established to account for the Town's other postemployment benefit activities. The Town is fully funded with respect to

its net 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

Major differences in the final amended budget to the original budget mainly consisted of Public Safety articles of approximately \$0.2 million that were passed in the spring Annual Town Meeting for vehicles and road repair and improvement work.

Other function 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, 2018, amounts to approximately \$27.3 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure, machinery and equipment and reflects a small increase from prior year, as additions approximated depreciation.

Major capital asset additions for 2018 in the Town's governmental activities include approximately \$0.3 of infrastructure and \$0.3 million in machinery and equipment.

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 nearly \$3.7 million; this includes over \$1.9 million in governmental activities and over \$1.7 million in business-type activities. This represented an increase of \$1.2 million over the prior year due to a bond issuance of \$1.7 million in the business-type activities less regularly scheduled maturities.

The Town was assigned a AA+ bond rating from Standard and Poor; the second highest rating the agency sets; exceeded only by AAA.

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 \$47.3 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

- The Town's unemployment rate remains stable; this is consistent with State and national trends.
- The Town's real estate tax base is made up of approximately 97.3% residential real estate tax. Its commercial, industrial and personal property taxes make up the remainder of the tax base at 2.7%. 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 is robust and continues to rank at the top of the State averages.
- The Town set its tax rate for fiscal year 2019 on November 14, 2018.

The above items were considered when the Town developed its budget for fiscal year 2019 which was authorized by Annual Town Meeting in April 2018.

Requests for Information

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

TOWN OF WEST NEWBURY, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 6,616,793	\$ 2,632,400	\$ 9,249,193
Investments	2,743,753	-	2,743,753
Receivables, net of allowance for uncollectibles:			
Property taxes	109,646	-	109,646
Departmental and other	221,500	-	221,500
Intergovernmental	44,774	-	44,774
User charges	-	265,385	265,385
Net other postemployment benefit asset	114,912	16,973	131,885
Capital assets, not being depreciated	9,453,482	472,162	9,925,644
Capital assets, net of accumulated depreciation	15,188,928	2,161,815	17,350,743
Total Assets	34,493,788	5,548,735	40,042,523
Deferred Outflows of Resources			
Related to net pension liability	607,376	51,548	658,924
Total Deferred Outflows of Resources	607,376	51,548	658,924
Liabilities			
Warrants and accounts payable	288,234	-	288,234
Accrued payroll and withholdings	251	-	251
Other liabilities	34,551	-	34,551
Noncurrent liabilities:			
Due within one year	476,791	45,027	521,818
Due in more than one year	7,873,284	2,245,962	10,119,246
Total Liabilities	8,673,111	2,290,989	10,964,100
Deferred Inflows of Resources			
Related to net other postemployment benefit liability	57,564	6,291	63,855
Related to net pension liability	654,901	55,582	710,483
Total Deferred Inflows of Resources	712,465	61,873	774,338
Net Position			
Net investment in capital assets	22,827,411	885,861	23,713,272
Restricted:			
Nonexpendable permanent funds	7,500	-	7,500
Community preservation	2,561,380	-	2,561,380
Other purposes	1,675,241	-	1,675,241
Unrestricted	(1,355,944)	2,361,560	1,005,616
Total Net Position	\$ 25,715,588	\$ 3,247,421	\$ 28,963,009

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

YEAR ENDED JUNE 30, 2018

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
Primary government:							
<u>Governmental Activities:</u>							
General government	\$ 1,600,552	\$ 329,907	\$ 772	\$ 118,749	\$ (1,151,124)		\$ (1,151,124)
Public safety	2,582,926	196,276	36,337	-	(2,350,313)		(2,350,313)
Education	7,771,599	-	-	-	(7,771,599)		(7,771,599)
Public works	1,679,252	-	-	185,937	(1,493,315)		(1,493,315)
Health and human services	613,288	(524)	8,299	-	(605,513)		(605,513)
Culture and recreation	579,864	52,509	38,259	-	(489,096)		(489,096)
Interest	41,000	-	-	-	(41,000)		(41,000)
Total Governmental Activities	14,868,481	578,168	83,667	304,686	(13,901,960)		(13,901,960)
<u>Business-Type Activities:</u>							
Water	758,585	801,183	-	3,090	-	\$ 45,688	45,688
Total Primary Government	<u>\$ 15,627,066</u>	<u>\$ 1,379,351</u>	<u>\$ 83,667</u>	<u>\$ 307,776</u>	(13,901,960)	45,688	(13,856,272)
<u>General Revenues:</u>							
Property taxes					13,334,033	-	13,334,033
Motor vehicle and other excise					776,894	-	776,894
Penalties and interest on taxes					46,203	-	46,203
Grants and contributions not restricted to specific purposes					459,136	-	459,136
Unrestricted investment income					33,569	15,980	49,549
Total general revenues and transfers					14,649,835	15,980	14,665,815
Change in Net Position					747,875	61,668	809,543
<u>Net Position:</u>							
Beginning of year, as restated					24,967,713	3,185,753	28,153,466
End of year					<u>\$ 25,715,588</u>	<u>\$ 3,247,421</u>	<u>\$ 28,963,009</u>

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	General	Community Preservation	Library Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 3,335,576	\$ 2,558,809	\$ -	\$ 722,409	\$ 6,616,794
Investments	1,794,929	-	948,824	-	2,743,753
Receivables, net of allowance for uncollectibles					
Property taxes	107,075	2,571	-	-	109,646
Departmental and other	183,516	-	-	37,984	221,500
Intergovernmental	-	-	-	44,774	44,774
Total Assets	<u>5,421,096</u>	<u>2,561,380</u>	<u>948,824</u>	<u>805,167</u>	<u>9,736,467</u>
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 5,421,096</u>	<u>\$ 2,561,380</u>	<u>\$ 948,824</u>	<u>\$ 805,167</u>	<u>\$ 9,736,467</u>
Liabilities:					
Warrants and accounts payable	\$ 288,234	\$ -	\$ -	\$ -	\$ 288,234
Accrued payroll and withholdings	251	-	-	-	251
Other liabilities	1,285	-	-	33,266	34,551
Total Liabilities	<u>289,770</u>	<u>-</u>	<u>-</u>	<u>33,266</u>	<u>323,036</u>
Deferred Inflows of Resources:					
Unavailable revenues - property taxes	107,075	2,571	-	-	109,646
Unavailable revenues - other	183,516	-	-	37,984	221,500
Total Deferred Inflows of Resources	<u>290,591</u>	<u>2,571</u>	<u>-</u>	<u>37,984</u>	<u>331,146</u>
Fund Balances:					
Nonspendable	-	-	7,500	-	7,500
Restricted	60,176	2,558,809	941,324	749,086	4,309,395
Committed	639,852	-	-	-	639,852
Assigned	1,127	-	-	-	1,127
Unassigned	4,139,580	-	-	(15,169)	4,124,411
Total Fund Balances	<u>4,840,735</u>	<u>2,558,809</u>	<u>948,824</u>	<u>733,917</u>	<u>9,082,285</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 5,421,096</u>	<u>\$ 2,561,380</u>	<u>\$ 948,824</u>	<u>\$ 805,167</u>	<u>\$ 9,736,467</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, 2018**

Total Governmental Fund Balances	\$ 9,082,285
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	24,642,410
The Town has a net asset related to other postemployment benefits. This long-term asset is not reported in the fund financial statements	114,912
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.	331,146
Deferred outflows and inflows of resources to be recognized in future pension and OPEB expense are not available resources and, therefore, are not reported in the funds:	
Deferred outflows related to net pension liability	607,376
Deferred inflows related to net pension liability	(654,901)
Deferred inflows related to net other postemployment benefits liability	(57,564)
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	(1,920,250)
Net pension liability	(6,325,831)
Compensated absences	(103,994)
Net Position of Governmental Activities	<u>\$ 25,715,589</u>

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018**

	General	Community Preservation	Library Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 13,039,154	\$ 307,466	\$ -	\$ -	\$ 13,346,620
Intergovernmental	365,877	102,706	-	402,332	870,915
Excise taxes	776,894	-	-	-	776,894
License and permits	156,494	-	-	-	156,494
Departmental and other revenue	264,434	299	-	119,330	384,063
Penalties and interest on taxes	46,203	-	-	-	46,203
Fines and forfeitures	17,278	-	-	-	17,278
Investment income	37,845	12,512	(16,638)	(150)	33,569
Contributions and donations	-	-	-	9,840	9,840
Total Revenues	<u>14,704,179</u>	<u>422,983</u>	<u>(16,638)</u>	<u>531,352</u>	<u>15,641,876</u>
Expenditures:					
Current:					
General government	1,051,906	33,411	-	194,472	1,279,789
Public safety	1,977,035	-	-	34,684	2,011,719
Education	7,759,992	-	-	-	7,759,992
Public works	1,267,816	-	-	216,492	1,484,308
Health and human services	570,104	-	-	12,365	582,469
Culture and recreation	359,826	22,380	-	64,084	446,290
Community preservation	-	-	-	-	-
Pension and other fringe benefits	978,128	-	-	-	978,128
State and county tax assessments	91,460	-	-	-	91,460
Debt service:					
Principal	470,000	-	-	21,192	491,192
Interest	41,000	-	-	-	41,000
Total Expenditures	<u>14,567,267</u>	<u>55,791</u>	<u>-</u>	<u>543,289</u>	<u>15,166,347</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	136,912	367,192	(16,638)	(11,937)	475,529
Other Financing Sources (Uses):					
Transfers in	104,900	-	-	18,126	123,026
Transfers out	(18,126)	-	-	(104,900)	(123,026)
Total Other Financing Sources (Uses)	<u>86,774</u>	<u>-</u>	<u>-</u>	<u>(86,774)</u>	<u>-</u>
Net Change in Fund Balances	223,686	367,192	(16,638)	(98,711)	475,529
Fund Balances - Beginning	<u>4,617,049</u>	<u>2,191,617</u>	<u>965,462</u>	<u>832,628</u>	<u>8,606,756</u>
Fund Balances - Ending	<u>\$ 4,840,735</u>	<u>\$ 2,558,809</u>	<u>\$ 948,824</u>	<u>\$ 733,917</u>	<u>\$ 9,082,285</u>

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
YEAR ENDED JUNE 30, 2018**

	<u>Total</u>
Net Change in Fund Balances - Total Governmental Fund Balances	\$ 475,529
<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	\$ 644,321
Depreciation expense	<u>(825,870)</u>
Net effect of reporting capital assets	(181,549)
<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>	
Issuance of general obligation debt	-
Repayments of debt	<u>491,192</u>
Net effect of reporting long-term debt	491,192
<p>Revenues in the Statement of Activities that do not provide current financial are reported as unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue of various types of accounts receivable differ between the two statements. The amount presented represents the difference in unavailable revenue.</p>	
	(25,520)
<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	7,217
Other postemployment benefits	36,549
Pension benefits	<u>(55,543)</u>
Net effect of reporting long-term liabilities	<u>(11,777)</u>
Change in Net Position of Governmental Activities	\$ <u>747,875</u>

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

JUNE 30, 2018

	Business-type Activities Enterprise fund Water
Assets:	
Current assets:	
Cash and cash equivalents	\$ 2,632,400
User fees receivable	265,385
Total current assets	2,897,785
Noncurrent assets:	
Net other postemployment benefit asset	16,973
Capital assets, not being depreciated	472,162
Capital assets, net of accumulated depreciation	2,161,815
Total noncurrent assets	2,650,950
Total Assets	5,548,735
Deferred Outflows of Resources	
Related to net pension liability	51,548
Total Deferred Outflows of Resources	51,548
Liabilities:	
Current liabilities:	
Warrants and accounts payable	-
Accrued payroll and withholdings	-
Bonds and notes payable	42,029
Compensated absences	2,998
Total current liabilities	45,027
Noncurrent liabilities:	
Bonds and notes payable	1,706,087
Compensated absences	2,998
Net pension liability	536,877
Total noncurrent liabilities	2,245,962
Total Liabilities	2,290,989
Deferred Inflows of Resources	
Related to net other postemployment benefit liability	6,291
Related to net pension liability	55,582
Total Deferred Inflows of Resources	61,873
Net Position:	
Net investment in capital assets	885,861
Unrestricted	2,361,560
Total Net Position	\$ 3,247,421

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, 2018

	Business-type Activities Enterprise Fund Water
Operating Revenues:	
Charges for services	\$ 720,384
Other	80,799
Total Operating Revenues	801,183
Operating Expenses:	
Operating costs	631,951
Depreciation	95,765
Total Operating Expenses	727,716
Operating Income (Loss)	73,467
Nonoperating Revenues (Expenses):	
Investment income	15,980
Investment expense	(30,869)
Total Nonoperating Revenues (Expenses)	(14,889)
Income (Loss) Before Capital Contributions and Transfers	58,578
Capital Contributions:	
System development fees	3,090
Change in Net Position	61,668
Total Net Position - Beginning	3,185,753
Total Net Position - Ending	\$ 3,247,421

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

**STATEMENT OF CASH FLOW
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018**

	Business-type Activities Enterprise Fund Water
Cash Flows From Operating Activities:	
Receipts from users	\$ 794,650
Payments to employees	(182,239)
Payments to vendors	(413,163)
Net Cash Provided by Operating Activities	199,248
Cash Flows from Capital and Related Financing Activities	
System development fees	3,090
Acquisition and construction of capital assets	(76,500)
Issuance of bonds and notes	1,700,000
Principal payments on bonds and notes	(12,029)
Interest expense	(30,869)
Net Cash Provided by Capital and Related Financing Activities	1,583,692
Cash flows from Investing Activities	
Investment income	15,980
Net Cash Provided by Investing Activities	15,980
Net Change in Cash and Cash Equivalents	1,798,920
Cash and Cash Equivalents:	
Beginning of year	833,480
End of year	\$ 2,632,400
Reconciliation of Operating Income to Net Cash Provided	
By (Used for) Operating Activities:	
Operating loss	\$ 73,467
Depreciation expense	95,765
Changes in assets, deferred inflows, and liabilities:	
Receivables (net)	(12,432)
Deferred outflows of resources	5,899
Net other postemployment benefit asset	44,455
Payables	(13,013)
Deferred inflows of resources	37,261
Net pension liability	(32,154)
Net Cash Provided by (Used for) Operating Activities	\$ 199,248

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2018

	Other Postemployment Benefits Trust	Private Purpose Trust Funds	Agency Funds
Assets:			
Cash and cash equivalents	\$ 263,468	\$ 223,411	\$ 60,995
Mutual funds	43,573	-	-
Equities	1,173,637	-	-
Fixed Income	425,495	-	-
Government securities	98,722	-	-
Other	64,554	-	-
Receivables	-	112,679	-
	<u>2,069,449</u>	<u>336,090</u>	<u>60,995</u>
Total Assets			
	<u>2,069,449</u>	<u>336,090</u>	<u>60,995</u>
Liabilities:			
Other liabilities	-	-	60,995
	<u>-</u>	<u>-</u>	<u>60,995</u>
Total Liabilities			
	<u>-</u>	<u>-</u>	<u>60,995</u>
Net Position:			
Held in trust for other postemployment benefits	2,069,449	-	-
Held in trust for other purposes	-	336,090	-
	<u>-</u>	<u>336,090</u>	<u>-</u>
Total Net Position			
	<u><u>\$ 2,069,449</u></u>	<u><u>\$ 336,090</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
YEAR ENDED JUNE 30, 2018**

	Other Postemployment Benefits Trust	Private Purpose Trust Funds
Additions:		
Contributions:		
Employer	\$ 85,824	\$ -
Departmental and other	-	19,450
	<u>85,824</u>	<u>19,450</u>
Total contributions	<u>85,824</u>	<u>19,450</u>
Investment income:		
Interest and dividends	209,981	(449)
	<u>209,981</u>	<u>(449)</u>
Total Additions	<u>295,805</u>	<u>19,001</u>
Deductions:		
Benefits paid	85,824	-
Health and human services	-	900
	<u>85,824</u>	<u>900</u>
Total Deductions	<u>85,824</u>	<u>900</u>
Change in Net Position	209,981	18,101
Net Position - Beginning	<u>1,859,468</u>	<u>317,989</u>
Net Position - Ending	<u><u>\$ 2,069,449</u></u>	<u><u>\$ 336,090</u></u>

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

I. Summary of Significant Accounting Policies

The 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 Town Manager that enforces the policies of the Selectmen. 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 2018, the Town's share of the operating, capital and debt service expenses was \$7,378,430. 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 of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least ten percent of the corresponding element for all funds of that category or type, and
- 2) The total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding elements for all governmental and enterprise funds combined.

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

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

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

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

The Town 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 (other than capital projects funds) that are restricted or committed to expenditures for specified purposes.

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 Enterprise Fund - 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:

Other Postemployment Benefits 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 Funds – 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 in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of its investments is recognized as an increase or decrease to investment assets and investment income.

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

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 has one item that is reported on the government-wide statement of net position which relates to outflows from changes in the net pension liability. The deferred pension will be recognized in pension expense in future years as more fully described in Note III, subsection A.

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 thus will not be recognized as an inflow of resources (revenue) until that time. The Town has two types of items that are reported on the government-wide statement of net position which relate to outflows from changes in the net pension liability and the other postemployment benefit liability. The deferred pensions will be recognized in pension expense in future years as more fully described in Note III, subsection A.

The deferred postemployment benefits will be recognized in employee benefits expense in future years as more fully described in Note III, subsection C. The Town also one type of item that arises under a modified accrual basis of accounting which qualifies for reporting in this category. Accordingly, the item unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from three sources: property taxes, user charges 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.

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 \$2,282,507 at June 30, 2018 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 \$8,072 at June 30, 2018 and is reported as unrestricted net position in the Water Enterprise Fund.

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.

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 \$1,127 of encumbrances from normal purchasing activity in the general fund as assigned and \$324,852 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	-	-	-	343,657	343,657
Public safety	-	-	-	58,762	58,762
Health and human services	-	-	-	65,161	65,161
Culture and recreation	-	-	941,324	129,175	1,070,499
Community preservation	-	2,558,809	-	-	2,558,809
Municipal buildings	44,066	-	-	-	44,066
Other purposes	16,110	-	-	149,163	165,273
Committed:					
General government	124,746	-	-	-	124,746
Public safety	80,869	-	-	-	80,869
Education	12,106	-	-	-	12,106
Public works	102,579	-	-	-	102,579
Health and human services	3,776	-	-	-	3,776
Other purposes	776	-	-	-	776
Assigned:					
General government	1,127	-	-	-	1,127
Subsequent years' budget	315,000	-	-	-	315,000
Unassigned	4,139,580	-	-	(15,169)	4,124,411
	<u>\$ 4,840,735</u>	<u>\$ 2,558,809</u>	<u>\$ 948,824</u>	<u>\$ 733,917</u>	<u>\$ 9,082,285</u>

E. Excess of Expenditures Over Appropriations and Deficits

The Town incurred deficits totaling \$15,169 in the Nonmajor Governmental Funds, which is reported as a major fund. This deficit will be funded through available grant funds in future 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 \$9,310,189 and the bank balance was \$9,457,560. Of the Town's bank balance, \$7,782,771 was covered by either federal depository insurance or by the depositors' insurance fund and \$1,674,789 was collateralized.

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 \$1,055,711, corporate bond holdings totaling \$1,028,190, and equity securities totaling \$1,583,328 are exposed to custodial credit risk because the related securities are uninsured, unregistered and are held by the counterparty.

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

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

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

The following table presents the Town's investments carried at fair value on a recurring basis in the statement of net position at June 30, 2018:

		Fair Value Measurements Using		
	6/30/18	Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities:				
U.S. Government obligations	\$ 1,055,711	\$ 169,569	\$ 886,142	\$ -
Corporate bonds	1,028,190	-	1,028,190	-
Negotiable certificates of deposit	1,149,286	-	1,149,286	-
Money market mutual funds	111,700	-	111,700	-
Total debt securities	3,344,887	169,569	3,175,318	-
Equity securities:				
Common stock	1,583,328	1,583,328	-	-
Exchange traded funds	64,554	64,554	-	-
Equity mutual funds	43,573	43,573	-	-
Total equity securities	1,691,455	1,691,455	-	-
Total investments by fair value level	\$ 5,036,342	\$ 1,861,024	\$ 3,175,318	\$ -

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Negotiable certificates of deposit and repurchase agreements are classified in Level 2 and are valued using matrix pricing based on the securities' relationship to benchmark quoted prices. Bond mutual funds are classified in Level 2 and are valued at the published fair value per share for each fund.

Interest Rate Risk: Investments – Debt securities are subject to interest rate risk. Such securities may be adversely affected by changes in interest rates, which may negatively affect the fair value of individual debt instruments, through fair value losses arising from increasing interest rates. 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.

At June 30, 2018, the Town's investments had the following maturities:

Investments	6/30/2018	Time Until Maturity (Years)		
		<1	1 - 5	6 - 10 Years
U.S. Government obligations	\$ 1,055,711	\$ 169,569	\$ 886,142	\$ -
Corporate bonds	1,028,191	24,952	551,011	452,228
Negotiable certificates of deposit	1,149,286	-	1,149,286	-
Money market mutual funds	111,700	111,700	-	-
Total Town Investments with Maturities	\$ 3,344,888	\$ 306,221	\$ 2,586,439	\$ 452,228

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

Credit Risk – The Town has not adopted a formal policy related to credit risk.
At June 30, 2018, the credit quality ratings of the Town’s investments were as follows:

Investments	Quality Ratings (Moody's)									
	AAA	AA1	AA3	A1	A2	A3	BAA1	BAA2	BAA3	Unrated
U.S. Government obligations	\$ 1,055,711	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate bonds	-	172,433	30,110	372,430	177,490	72,663	104,097	73,152	25,815	-
Negotiable certificates of deposit	-	-	-	-	-	-	-	-	-	1,149,286
Money market mutual funds	-	-	-	-	-	-	-	-	-	111,700
Total	<u>\$ 1,055,711</u>	<u>\$ 172,433</u>	<u>\$ 30,110</u>	<u>\$ 372,430</u>	<u>\$ 177,490</u>	<u>\$ 72,663</u>	<u>\$ 104,097</u>	<u>\$ 73,152</u>	<u>\$ 25,815</u>	<u>\$ 1,260,986</u>

B. Receivables

Receivables as of year-end for the Town’s individual major and nonmajor 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	\$ 107,075	\$ -	\$ 107,075
Tax liens, deferrals, and foreclosures	94,792	-	94,792
Excise	58,983	-	58,983
Other	29,741	-	29,741
Community preservation surcharges	2,571	-	2,571
Title V betterments	37,984	-	37,984
Intergovernmental	44,774	-	44,774
Total	<u>\$ 375,920</u>	<u>\$ -</u>	<u>\$ 375,920</u>

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Water user fees	<u>\$ 265,385</u>	<u>\$ -</u>	<u>\$ 265,385</u>

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

	General Fund	Other Governmental Funds	Total
Receivables type:			
Real estate and personal property taxes	\$ 107,075	\$ -	\$ 107,075
Tax liens, deferrals, and foreclosures	94,792	-	94,792
Excise	58,983	-	58,983
Other	29,741	-	29,741
Community preservation surcharges	-	2,571	2,571
Title V betterments	-	37,984	37,984
Total	<u>\$ 290,591</u>	<u>\$ 40,555</u>	<u>\$ 331,146</u>

C. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2018, are summarized as follows:

Transfers Out	Transfers In		
	General Fund	Nonmajor Governmental Funds	Total
General Fund	\$ -	\$ 18,126	\$ 18,126 (1)
Nonmajor Governmental Funds	104,900	-	104,900 (2)
Total	<u>\$ 104,900</u>	<u>\$ 18,126</u>	<u>\$ 123,026</u>

- (1) Transfers to nonmajor governmental funds to supplement Bicentennial Celebration fund and Police Cruiser Fees.
- (2) Transfers to general fund to subsidize operating budgets.

D. Capital Assets

Capital assets for the year ended June 30, 2018 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 9,453,482	\$ -	\$ -	\$ 9,453,482
Construction in progress	1,546,921	-	(1,546,921)	-
Total capital assets not being depreciated	11,000,403	-	(1,546,921)	9,453,482
Capital assets being depreciated:				
Buildings	13,097,272	1,608,738	-	14,706,010
Improvements other than buildings	1,593,374	22,380	-	1,615,754
Infrastructure	8,921,129	270,310	-	9,191,439
Machinery and equipment	1,015,478	250,050	-	1,265,528
Vehicles	3,167,200	39,764	-	3,206,964
Total capital assets being depreciated	27,794,453	2,191,242	-	29,985,695
Less accumulated depreciation for:				
Buildings	(6,776,753)	(349,168)	-	(7,125,921)
Improvements other than buildings	(1,364,540)	(28,240)	-	(1,392,780)
Infrastructure	(2,691,373)	(163,185)	-	(2,854,558)
Machinery and equipment	(654,381)	(59,742)	-	(714,123)
Vehicles	(2,483,850)	(225,535)	-	(2,709,385)
Total accumulated depreciation	(13,970,897)	(825,870)	-	(14,796,767)
Total capital assets being depreciated, net	13,823,556	1,365,372	-	15,188,928
Governmental activities capital assets, net	<u>\$ 24,823,959</u>	<u>\$ 1,365,372</u>	<u>\$ (1,546,921)</u>	<u>\$ 24,642,410</u>
<u>Business Activities - Water:</u>				
Capital assets not being depreciated:				
Land	\$ 395,662	\$ -	\$ -	\$ 395,662
Construction in process	-	76,500	-	76,500
Total capital assets not being depreciated	395,662	76,500	-	472,162
Capital assets being depreciated:				
Infrastructure	4,924,077	-	-	4,924,077
Improvement other than buildings	5,570	-	-	5,570
Machinery and equipment	139,974	-	-	139,974
Vehicles	115,017	-	-	115,017
Total capital assets being depreciated	5,184,638	-	-	5,184,638
Less accumulated depreciation for:				
Infrastructure	(2,767,087)	(80,401)	-	(2,847,488)
Improvement other than buildings	(5,571)	-	-	(5,571)
Machinery and equipment	(82,744)	(5,728)	-	(88,472)
Vehicles	(71,656)	(9,636)	-	(81,292)
Total accumulated depreciation	(2,927,058)	(95,765)	-	(3,022,823)
Total capital assets being depreciated, net	2,257,580	(95,765)	-	2,161,815
Business activities capital assets, net	<u>\$ 2,653,242</u>	<u>\$ (19,265)</u>	<u>\$ -</u>	<u>\$ 2,633,977</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:		Business-Type Activities:	
General government	\$ 96,917	Water	<u>\$ 95,765</u>
Public safety	248,363		
Education	110,751		
Public works	300,056		
Health and human services	29,144		
Culture and recreation	40,639		
	<u>\$ 825,870</u>		

E. Temporary Debt

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

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

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

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

F. 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”.

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 \$3,281 until the maturity of these agreements.

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

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
<u>Governmental Activities:</u>					
Bond and note indebtedness	\$ 2,411,442	\$ -	\$ (491,192)	\$ 1,920,250	\$ 461,192
Compensated absences	111,211	9,465	(16,682)	103,994	15,599
Net pension liability	6,704,690	1,210,814	(1,589,673)	6,325,831	-
Total Governmental Activities	<u>\$ 9,227,343</u>	<u>\$ 1,220,279</u>	<u>\$ (2,097,547)</u>	<u>\$ 8,350,075</u>	<u>\$ 476,791</u>
<u>Business-type Activities: Water</u>					
Bond and note indebtedness	\$ 60,145	\$ 1,700,000	\$ (12,029)	\$ 1,748,116	\$ 42,029
Compensated absences	6,669	-	(673)	5,996	2,998
Net pension liability	569,031	102,763	(134,917)	536,877	-
Total Business-type Activities: Water	<u>\$ 635,845</u>	<u>\$ 1,802,763</u>	<u>\$ (147,619)</u>	<u>\$ 2,290,989</u>	<u>\$ 45,027</u>

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 and future year maturities as of June 30, 2018:

Description of Issue	Maturing Year	Interest Rate	Beginning Balance	Additions	Maturities	Ending Balance
<u>Governmental Activities:</u>						
General obligation bonds	2025	2.00 - 4.00%	\$ 2,285,000	\$ -	\$ (470,000)	\$ 1,815,000
MCWT notes (Title V)	2024	0.00 - 5.25%	126,442	-	(21,192)	105,250
Total Governmental Bond and Note Indebtedness			<u>2,411,442</u>	<u>-</u>	<u>(491,192)</u>	<u>1,920,250</u>
<u>Business-type Activities - Water:</u>						
FHA loan	2022	5.00%	60,145	-	(12,029)	48,116
General obligation bonds	2048	3.00 - 5.00%	-	1,700,000	-	1,700,000
Total Water Bond and Note Indebtedness			<u>60,145</u>	<u>1,700,000</u>	<u>(12,029)</u>	<u>1,748,116</u>
Total Long-Term Bond and Note Indebtedness - All			<u>\$ 2,471,587</u>	<u>\$ 1,700,000</u>	<u>\$ (503,221)</u>	<u>\$ 3,668,366</u>

Year Ending June 30,	Governmental Activities - Total Bond and Note Indebtedness					
	Principal		Interest			Total
	Balance	Net	Balance	Subsidy	Net	
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	361,413	361,413	15,952	(552)	15,400	376,813
2022	315,361	315,361	8,950	-	8,950	324,311
2023	305,364	305,364	2,950	-	2,950	308,314
2024-2028	20,728	20,728	-	-	-	20,728
Total	<u>\$ 1,920,250</u>	<u>\$ 1,920,250</u>	<u>\$ 85,631</u>	<u>\$ (3,281)</u>	<u>\$ 82,350</u>	<u>\$ 2,002,600</u>

Year Ending June 30,	Business-type Activities: Water - Total Bond and Note Indebtedness					
	Principal		Interest			Total
	Balance	Net	Balance	Subsidy	Net	
2019	\$ 42,029	\$ 42,029	\$ 61,718	\$ -	\$ 61,718	\$ 103,747
2020	42,029	42,029	59,616	-	59,616	101,645
2021	47,029	47,029	57,390	-	57,390	104,419
2022	47,029	47,029	55,038	-	55,038	102,067
2023	35,000	35,000	52,687	-	52,687	87,687
2024-2028	215,000	215,000	232,935		232,935	447,935
2029-2033	260,000	260,000	186,260		186,260	446,260
2034-2038	300,000	300,000	144,410		144,410	444,410
2039-2043	350,000	350,000	94,594		94,594	444,594
2044-2048	410,000	410,000	34,453		34,453	444,453
Total	<u>\$ 1,748,116</u>	<u>\$ 1,748,116</u>	<u>\$ 979,101</u>	<u>\$ -</u>	<u>\$ 979,101</u>	<u>\$ 2,727,217</u>

Authorized and Unissued Debt – The Town had the following authorized and unissued debt as of June 30, 2018:

Septic Loan	\$ 4,911
MCWT	<u>3,100</u>
Total	<u>\$ 8,011</u>

G. 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:

	Amount
<i>Asset:</i>	
Aerial Fire Ladder Truck	\$ 731,019
Less: accumulated depreciation	<u>(694,468)</u>
Total	<u>\$ 36,551</u>

III. Other Information

A. Retirement System

Plan Description – The Town contributes to the Essex Regional Retirement System (the System), 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, 2017 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, 2017, was as follows:

Retirees and beneficiaries currently receiving benefits	1,768
Active plan members	2,738
Inactive plan members	<u>1,030</u>
Total	<u>5,536</u>

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

Membership in the System is mandatory for all full-time employees and non-seasonal, part-time employees who, in general, regularly work more than twenty hours per week. Members of the 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 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 System has elected provisions of Chapter 32, Section 22D (as amended) of Massachusetts General Laws, which require that a funding schedule be established to fully fund the pension plan by June 30, 2040. 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 \$594,396 to the System in fiscal year 2018, 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 23.8% in fiscal year 2018.

Net Pension Liability – At June 30, 2018, the Town reported a liability of \$6,862,708 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. There were no material changes made in this update to the actuarial assumptions (see below) nor were there any material changes to the System's benefit terms since the actuarial valuation.

The Town's proportion of the net pension liability is based on a projection of the Town's long-term share of contributions to the System relative to the projected contributions of all employers. The Town's proportion was approximately 1.8% at December 31, 2017, which was consistent with the proportion measured at December 31, 2016.

Pension Expense – The Town recognized \$729,294 in pension expense in the statement of activities in fiscal year 2018.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2018, 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>
Net differences between projected and actual earnings	\$ -	\$ 302,151
Changes in proportion differences	95,476	-
Changes in assumptions	563,448	-
Difference between expected and actual experience	-	97,120
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	311,212
Total	<u>\$ 658,924</u>	<u>\$ 710,483</u>

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

<u>Year ended June 30,</u>	
2018	\$ 18,746
2019	25,424
2020	(21,880)
2021	(73,849)
2022	-
Total	<u>\$ (51,559)</u>

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, 2018. The significant actuarial assumptions used in the January 1, 2018 actuarial valuation included:

Actuarial cost method:	Entry age normal cost method
Amortization method:	The total appropriation is set to increase annually by 7.41% for five years, then by 6.36% for one year and 4% increases annually thereafter until the final year which will be 3.89%.
Remaining amortization period:	17 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:	7.50% per year
Projected salary increases:	3.75% Ultimate rate, with steps. 7.5% year one, 6.5% year two, 6.0% year three, 5.5% year four, 5.0% year five.
Cost of living adjustments:	3% of the first \$14,000 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

Discount Rate – The discount rate used to measure the total pension was 7.50%. 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.

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, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	17.50%	6.15%
International developed markets equity	15.50%	7.11%
International emerging markets equity	6.00%	9.41%
Core fixed income	12.00%	1.68%
High-yield fixed income	10.00%	4.13%
Real estate	10.00%	4.90%
Commodities	4.00%	4.71%
Hedge fund, GTAA, Risk parity	13.00%	3.94%
Private equity	12.00%	10.28%
	<u>100.00%</u>	

Sensitivity Analysis – The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.50% as well as the Town's proportionate share of the net pension liability using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	1% decrease Discount Rate 6.50%	Current Discount Rate 7.50%	1% increase Discount Rate 8.50%
Net Pension Liability	\$ 8,634,121	\$ 6,862,708	\$ 5,372,703

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. Tax Abatements

The Town enters into property tax abatements with local businesses as an incentive for economic growth, including expansion of current facilities and job opportunities for local residents. The agreements are commonly referred to as tax increment financing, or TIF, agreements. Under Massachusetts General Law Chapter 40, Section 59, property owners may be granted property tax abatements of up to 100% of the value of a tax increment for a maximum term of twenty years provided the property is located in a TIF zone. TIF zones are approved by the Massachusetts Economic Assistance Coordinating Council. Furthermore, the Town Meeting must approve all TIF agreements.

For the fiscal year ended June 30, 2018, the Town did not abate any property taxes under this program to any property owners.

D. Other Postemployment Benefits (OPEB)

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

An employee shall become eligible to retire under this plan upon the completion of 10 years of creditable service and the attainment of age 55 as an active member or with 20 years of service regardless of age.

Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law and Town ordinance. All benefits are provided through the Town’s premium-based insurance programs, and these include comprehensive medical insurance. Pre-65 retirees are provided with HMO Blue New England Plan and Post 65 retirees have Medex II.

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of June 30, 2018:

Active employees	34
Inactives currently receiving benefits	<u>38</u>
Total	<u><u>72</u></u>

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

Investment rate of return	7.00%
Single Equivalent Discount Rate	7.00% net of OPEB plan investment expense including inflation.
Inflation	2.5% annually as of June 30, 2018 and for future periods.
Health Care Trend Rate	9.0% ; trending down to 5.0% by 2020
Salary Increases	2.5% annually as of June 30, 2018 and for future periods.
Mortality	For healthy participants: the mortality are from the RPH-2014 combined mortality table projected on a generational basis with projection scale MP-2016.
Actuarial Cost Method	Entry age normal

Key Changes in Assumptions – There were no key assumption changes.

Contributions – The contribution requirements of OPEB Plan members and the Town are established and may be amended by the Town. Retirees contributed 50% of the set premium for medical insurance during fiscal 2018. The remainder of the cost is funded from taxation.

The Town currently contributes enough money to the Plan to maintain a fully-funded status. The costs of administering the OPEB Plan are paid by the Town.

For the year ended June 30, 2018, the Town's average contribution rate was 3.2% of covered-employee payroll.

Net OPEB Asset – The Town's net OPEB asset was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of July 1, 2016.

Discount Rate – The discount rate used to measure the total OPEB liability was 7.00% which was based on the long-term investment rate of return.

Long Term Expected Rate of Return – The long-term expected rate of return on OPEB 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 OPEB 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.

The target allocation and best estimates of arithmetic real rates of return were as reflected in the following table:

Asset Class	Target Allocation	Expected Investment Rate of Return
Equities	58.80%	10.00%
Fixed Income	34.90%	4.00%
Exchange Traded Funds	3.10%	10.00%
Cash	3.20%	1.71%
	100.00%	
Real rate of return		4.75%
Inflation assumption		2.75%
Total nominal rate of return		7.50%
Investment expense		-0.50%
Net investment return		7.00%

Sensitivity Analyses – The following presents the Town’s net OPEB liability as well as what the Town’s net OPEB liability would be if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current discount rate as well as if the healthcare cost trend rates are 1% lower or higher than the current healthcare cost trend rates:

	1% decrease 6.00%	Discount Rate 7.00%	1% increase 8.00%
Net OPEB Liability (Asset)	\$ 157,229	\$ (131,885)	\$ (365,601)

	1% decrease 7% to 4%	Healthcare cost rate 8% to 5%	1% increase 9% to 6%
Net OPEB Liability (Asset)	\$ (309,336)	\$ (131,885)	\$ 114,387

Net OPEB Liability/(Asset) – The components of the net OPEB liability/(asset) of the Town at June 30, 2018 were as follows:

Total OPEB Liability	\$ 1,937,564
Plan fiduciary net position	<u>(2,069,449)</u>
Net OPEB liability (asset)	<u>\$ (131,885)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	106.8%

Changes in the Net OPEB Asset – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2018:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balances at June 30, 2017	\$ 1,836,491	\$ 1,859,468	\$ (22,977)
Changes for the year:			
Service cost	57,287	-	\$ 57,287
Interest	129,610	-	129,610
Employer contributions	-	85,824	(85,824)
Net investment income	-	209,981	(209,981)
Benefit payments	(85,824)	(85,824)	-
Net changes	101,073	209,981	(108,908)
Balances at June 30, 2018	\$ 1,937,564	\$ 2,069,449	\$ (131,885)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2018, the Town recognized OPEB expense of \$40,771. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2018 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Investment Gain	\$ -	\$ 63,855
	\$ -	\$ 63,855

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

June 30,	
2019	\$ 15,964
2020	15,964
2021	15,964
2022	15,963
2023	-
thereafter	-
	\$ 63,855

- E. 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, 2018, 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, 2018.

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.

F. Implementation of New GASB Pronouncements

Current Year Implementations –

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 became effective in fiscal year 2018. The adoption of GASB No. 75 resulted in a reduction in beginning net position of \$145,278 and \$59,251 in the Town's governmental and business-type activities, respectively. Refer to Note IV.

In March 2016, the GASB issued GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of the Statement was to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions of this Statement became effective in fiscal year 2018 and did not have a material impact on the Town's financial statements.

In May 2017, the GASB issued GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of the Statement was to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The provisions of this Statement became effective in fiscal year 2018 and did not have a material impact on the Town's financial statements.

Future Implementations –

In November 2016, the GASB issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. The objective of the Statement is to address accounting and financial reporting for certain asset retirement obligations that have legally enforceable liability associated with the retirement of a tangible capital asset. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2018 (fiscal year 2019). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of the Statement is to improve guidance regarding the identification of fiduciary activities for

accounting and financial reporting purposes and how these activities should be reported. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2018 (fiscal year 2020). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefines the manner in which long-term leases are accounted and reported. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2019 (fiscal year 2021). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In April 2018, the GASB issued GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2018 (fiscal year 2019). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement establishes accounting requirements for interest costs incurred before the end of a construction period. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2019 (fiscal year 2021). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In August 2018, the GASB issued GASB Statement No. 90, *Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61*. The objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2018 (fiscal year 2020). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

IV. Restatement of Prior Year Balances

The Town adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in fiscal year 2018. Previously, OPEB was accounted for under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The result of the adoption of GASB Statement No. 75 was to eliminate the net OPEB obligation recorded in the Town financial statements at June 30, 2018 and record the net OPEB liability at June 30, 2017. The impact is illustrated in the table below:

	<u>Governmental</u>	<u>Water</u>
Net position at June 30, 2017, as reported	\$ 25,112,991	\$ 3,245,004
Eliminate previously recorded OPEB asset	(168,055)	(61,428)
Record net OPEB asset	<u>22,977</u>	<u>2,178</u>
Net position at June 30, 2017, as restated	<u>\$ 24,967,913</u>	<u>\$ 3,185,754</u>

TOWN OF WEST NEWBURY, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2018

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

(dollar amounts are in thousands)

	Year Ended June 30,			
	2018	2017	2016	2015
Town's proportion of the net pension liability (asset)	1.823%	1.888%	1.853%	1.906%
Town's proportionate share of the net pension liability (asset)	\$ 6,835	\$ 7,274	\$ 6,733	\$ 6,466
Town's covered-employee payroll	\$ 2,495	\$ 2,205	\$ 2,379	\$ 2,288
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	273.9%	329.9%	283.0%	282.6%
Plan fiduciary net position as a percentage of the total pension liability	55.4%	51.1%	51.0%	52.3%

SCHEDULE OF THE TOWN CONTRIBUTIONS TO PENSION PLAN

(dollar amounts are in thousands)

	Year Ended June 30,			
	2018	2017	2016	2015
Actuarially determined contribution	\$ 594	\$ 572	\$ 656	\$ 509
Contributions in relation to the actuarially determined contribution	594	572	656	509
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 2,495	\$ 2,205	\$ 2,379	\$ 2,288
Contributions as a percentage of covered-employee payroll	23.8%	25.9%	27.6%	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, 2018

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

	2018	2017
Total OPEB liability:		
Service cost	\$ 57,287	\$ 55,931
Interest	129,610	126,392
Benefit payments	(85,824)	(73,798)
Other	-	(58,609)
Net change in total OPEB liability	101,073	49,916
Total OPEB liability - beginning of year	1,836,491	1,786,575
Total OPEB liability - end of year (a)	<u>\$ 1,937,564</u>	<u>\$ 1,836,491</u>
Plan fiduciary net position:		
Contributions - employer	\$ 85,824	\$ 73,798
Net investment income	79,818	120,838
Difference between expected and actual plan experience	130,163	-
Benefit payments	(85,824)	(73,798)
Other	-	12,376
Net change in Plan fiduciary net position	209,981	133,214
Plan fiduciary net position - beginning of year	1,859,468	1,726,254
Plan fiduciary net position - end of year (b)	<u>\$ 2,069,449</u>	<u>\$ 1,859,468</u>
Net OPEB liability (asset) - end of year (a) - (b)	<u>\$ (131,885)</u>	<u>\$ (22,977)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	106.81%	101.25%
Covered-employee payroll	\$ 2,661,029	\$ 2,596,126
Net OPEB liability as a percentage of covered-employee payroll	-4.96%	-0.89%

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

Note: This schedule is presented using the optional format of combining the required schedules in paragraph 36a and 36b.

See independent auditors' report.

TOWN OF WEST NEWBURY, MASSACHUSETTS**REQUIRED SUPPLEMENTARY INFORMATION - OPEB
YEAR ENDED JUNE 30, 2018****SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS**

	2018	2017
Actuarially-determined contribution	\$ 59,869	\$ 121,807
Contributions in relation to the actuarially-determined contribution	(85,824)	(121,807)
Contribution deficiency (excess)	\$ (25,955)	\$ -
Covered-employee payroll	\$ 2,661,029	\$ 2,596,126
Contribution as a percentage of covered-employee payroll	3.23%	4.69%
Valuation Date	July 1, 2016	July 1, 2016
Amortization Period	30 years	30 years
Investment rate of return	7.00%	7.00%
Single Equivalent Discount Rate	7.00%	7.00%
Inflation	2.50%	2.50%
Healthcare cost trend rates	8.00% to 5.00%	9.00% to 6.00%
Salary increases	2.50%	2.50%
Actuarial Cost Method	Individual Entry Age Normal (for all years presented)	
Asset Valuation Method	Market Value of Assets as of Reporting Date (for all years presented)	

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

	2018	2017
Annual money-weighted rate of return, net of investment expense	11.79%	7.43%

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

See independent auditors' report.

TOWN OF WEST NEWBURY, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2018

	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	\$ 12,888,721	\$ 12,888,721	\$ 13,039,154		\$ 13,039,154	\$ 150,433
Intergovernmental	369,720	369,720	365,877		365,877	(3,843)
Motor vehicle and other excises	701,500	701,500	776,894		776,894	75,394
License and permits	175,000	175,000	156,494		156,494	(18,506)
Departmental and other revenue	215,000	215,000	264,434		264,434	49,434
Penalties and interest on taxes	35,000	35,000	46,203		46,203	11,203
Fines, Fees and forfeitures	5,600	5,600	17,278		17,278	11,678
Investment income	40,000	40,000	43,846		43,846	3,846
Total Revenues	14,430,541	14,430,541	14,710,180		14,710,180	279,639
EXPENDITURES						
General government	1,386,962	1,382,962	1,078,680	\$ 125,873	1,204,553	178,409
Public safety	2,168,793	2,244,784	1,977,035	80,869	2,057,904	186,880
Education	7,772,098	7,772,098	7,759,992	12,106	7,772,098	-
Public works	1,360,330	1,444,458	1,284,627	102,579	1,387,206	57,252
Health and human services	634,546	640,546	570,104	3,776	573,880	66,666
Culture and recreation	369,435	369,435	359,826	-	359,826	9,609
Fringe Benefits	1,006,302	1,006,302	978,128	-	978,128	28,174
State and county tax assessments	93,674	93,674	91,460	776	92,236	1,438
Debt service	615,900	615,900	511,000	-	511,000	104,900
Total Expenditures	15,408,040	15,570,159	14,610,852	\$ 325,979	14,936,831	633,328
OTHER FINANCING SOURCES (USES)						
Transfers in	154,419	154,419	154,419		154,419	-
Transfers out	(864,122)	(864,122)	(872,248)		(872,248)	(8,126)
Total Other Financing Sources (Uses)	(709,703)	(709,703)	(717,829)		(717,829)	(8,126)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE						
	(1,687,202)	(1,849,321)	\$ (618,501)		\$ (944,480)	\$ 904,841
Other Budgetary Items:						
Undesignated surplus (free cash)	\$ 855,067	\$ 1,017,186				
Prior year encumbrances	832,135	832,135				
Total Other Budgetary Items	1,687,202	1,849,321				
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, 2018

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 2018, Town Meeting approved approximately \$162,000 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, 2018, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 14,710,180
Stabilization investment income	\$ -	\$ (6,001)	(6,001)
Revenues on a GAAP basis	<u>\$ -</u>	<u>\$ (6,001)</u>	<u>\$ 14,704,179</u>
Expenditures on a budgetary basis			\$ 14,610,852
Enterprise Fund indirect costs reported as expenditures	\$ (49,519)	\$ -	(49,519)
Municipal building insurance costs	-	5,934	5,934
Expenditures on a GAAP basis	<u>\$ (49,519)</u>	<u>\$ 5,934</u>	<u>\$ 14,567,267</u>
Other financing sources (uses) on a budgetary basis			\$ (717,829)
Enterprise Fund indirect costs reported as expenditures	\$ (49,519)	\$ -	(49,519)
Municipal building trust transfers, net	-	25,000	25,000
Stabilization transfers, net	-	829,122	829,122
Other financing sources (uses) on a GAAP basis	<u>\$ (49,519)</u>	<u>\$ 854,122</u>	<u>\$ 86,774</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 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, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated January 27, 2019.

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

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
January 27, 2019