

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, 2020



TOWN OF WEST NEWBURY, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of West Newbury, Massachusetts, (the Town) as of and for the year ended June 30, 2020, 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, 2020, and the respective

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 October 22, 2020 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
October 22, 2020

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, 2020.

Financial Highlights

- Fiscal 2020 can be characterized as a year that was dealt with many financial challenges due to the emergence of the novel coronavirus, COVID-19. Reaching the United States west coast in January of 2020, the virus spread to pandemic proportions nationally; quickly spreading and reaching Massachusetts in late February. The strength in transmission of the virus forced lock downs of businesses, schools, restaurants and all non-essential activity in many states including Massachusetts. These lockdowns essentially brought most economic activity to a halt as its impact was felt globally. Despite this, the Town was able to navigate through these challenges and end up with a relatively positive outcome. This was leveraged mostly in part to a strong first three quarters of the year bolstered by significant reserves the Town has accumulated. In addition, the Town was the beneficiary of grants created to assist communities during this very challenging time. Its impact on fiscal 2021 is yet to be determined as the State has yet to authorize its budget, however the impact to fiscal 2020 is included in various areas of this Management Discussion and Analysis.
- 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 over \$30.9 million (*total net position*). Over \$27.2 million represented net position of governmental activities and over \$3.7 million represented net position of the business-type activities.
- The government's total net position increased by over \$0.6 million. This was due to an increase of about \$0.3 million in both governmental and business-type activities as operations were consistent with expectations.
- The Town's Unassigned Fund Balance reported in the General Fund was over \$5.5 million (37.0% of General Fund expenditures). Total Fund Balance in the General Fund was over \$6.6 million (44.5% 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 \$3.1 million, \$1.1 million and \$0.8 million, respectively.
- The Town's total long-term debt decreased by approximately \$0.5 million; the decrease was due to 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 \$30.9 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, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
<u>Assets</u>						
Current and other assets	\$ 12,420,349	\$ 11,212,826	\$ 2,319,123	\$ 3,133,622	\$ 14,739,472	\$ 14,346,448
Capital assets, net	23,104,855	24,062,005	4,747,857	2,538,211	27,852,712	26,600,216
Total assets	35,525,204	35,274,831	7,066,980	5,671,833	42,592,184	40,946,664
<u>Deferred Outflows of Resources</u>	1,555,938	1,555,144	93,940	107,600	1,649,878	1,662,744
<u>Liabilities</u>						
Long term liabilities	9,160,303	9,377,023	3,466,179	2,380,606	12,626,482	11,757,629
Other liabilities	244,541	222,057	-	180	244,541	222,237
Total liabilities	9,404,844	9,599,080	3,466,179	2,380,786	12,871,023	11,979,866
<u>Deferred Inflows of Resources</u>	449,569	325,818	38,902	29,437	488,471	355,255
<u>Net Position</u>						
Net investment in capital assets	22,164,856	22,687,006	1,983,799	832,124	24,148,655	23,519,130
Restricted	5,068,264	4,844,388	-	-	5,068,264	4,844,388
Unrestricted	(6,391)	(626,317)	1,721,937	2,569,012	1,715,546	1,942,695
Net Position	\$ 27,226,729	\$ 26,905,077	\$ 3,705,736	\$ 3,401,136	\$ 30,932,465	\$ 30,306,213

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 \$1.7 million which is mostly related to business-type activities.

Condensed changes in net position data is presented as follows:

	Governmental activities		Business activities		Total	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Revenues						
Program revenues:						
Charges for services	\$ 605,028	\$ 812,921	\$ 1,078,059	\$ 858,558	\$ 1,683,087	\$ 1,671,479
Operating grants and contributions	176,294	148,191	-	-	176,294	148,191
Capital grants and contributions	256,425	256,425	37,500	28,500	293,925	284,925
General revenues:						
Property taxes	14,410,021	14,116,399	-	-	14,410,021	14,116,399
Intergovernmental	368,913	339,615	-	-	368,913	339,615
Other	1,146,236	1,157,747	35,703	66,265	1,181,939	1,224,012
Total revenues	<u>16,962,917</u>	<u>16,831,298</u>	<u>1,151,262</u>	<u>953,323</u>	<u>18,114,179</u>	<u>17,784,621</u>
Expenses						
General government	1,987,951	1,703,532	-	-	1,987,951	1,703,532
Public safety	2,938,800	2,950,463	-	-	2,938,800	2,950,463
Education	8,416,441	8,123,089	-	-	8,416,441	8,123,089
Public works	1,703,025	1,612,618	-	-	1,703,025	1,612,618
Health and human services	1,063,063	649,526	-	-	1,063,063	649,526
Culture and recreation	510,210	570,681	-	-	510,210	570,681
Debt service	21,775	31,900	-	-	21,775	31,900
Water	-	-	846,662	799,608	846,662	799,608
Total expenses	<u>16,641,265</u>	<u>15,641,809</u>	<u>846,662</u>	<u>799,608</u>	<u>17,487,927</u>	<u>16,441,417</u>
Change in net position	321,652	1,189,489	304,600	153,715	626,252	1,343,204
Net position, beginning of year	<u>26,905,077</u>	<u>25,715,588</u>	<u>3,401,136</u>	<u>3,247,421</u>	<u>30,306,213</u>	<u>28,963,009</u>
Net position, end of year	<u>\$ 27,226,729</u>	<u>\$ 26,905,077</u>	<u>\$ 3,705,736</u>	<u>\$ 3,401,136</u>	<u>\$ 30,932,465</u>	<u>\$ 30,306,213</u>

Governmental Activities - The Town relies significantly on property taxes, which, during 2020, made up approximately 85.0% 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 that was raised on the Town certified tax recap. 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 50.6% of total expenses; this was consistent with the prior year amount of 51.9%. 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 increased by 20% over the prior year due to increased consumption during the COVID-19 lockdown imposed by the Governor as well as an increase in rates. 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 \$5.6 million, while total fund balance reached approximately \$6.7 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 general fund expenditures. Unassigned fund balance represented approximately 37.0% of total general fund expenditures, while total fund balance represented approximately 44.5% of that same amount.

The Town's governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$11.7 million. In addition to the \$6.7 million in the general fund previously discussed, there were also restricted fund balances in the Community Preservation Fund and Library Trust Fund of approximately \$3.1 million and \$1.1 million, respectively. The fund balance of the combined Nonmajor funds was approximately \$0.8 million, most of which is restricted.

The General Fund balance increased by about \$0.9 million due to a strong operating performance. This was achieved despite the pandemic that gripped the 4th quarter. The Town's revenues were not impacted, and operating results were leveraged by the continued robust economy in play for the first three quarters of the fiscal year.

The Community Preservation Fund balance increased by \$0.2 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 increased approximately \$0.1 million as activity was minimal.

The combined Nonmajor funds decreased by approximately \$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 \$3.7 million, which increased approximately \$0.3 million from the prior year. The fund experienced an uptick in revenue due to a rate increase and increased consumption due the State imposed lockdown. s.

Fiduciary funds - The Town's fiduciary funds include nearly \$2.4 million for a trust established to account for the Town's other postemployment benefit activities. 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 works articles of approximately \$0.5 million that were passed in the spring Annual Town Meeting.

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, 2020, amounts to approximately \$27.9 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 2020 included approximately \$2.3 million of Water Enterprise additions related to the Brake Hill Water Storage Tank and the Meter and Chemical Injection Building Projects.

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 \$2.7 million; this includes approximately \$1.0 million in governmental activities and approximately \$1.7 million in business-type activities. This represented a decrease of \$0.5 million over the prior year due to regularly scheduled maturities.

The Town was assigned a bond rating of AA+ from Standard and Poor; this means its investment grade is very strong and is one level below the highest rating the agency sets.

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 \$48.9 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, however unemployment rates throughout the Commonwealth and the Nation are near historic highs due to the layoffs imposed as part of the COVID-19 pandemic.
- 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 above items were considered when the Town developed its budget for fiscal year 2021 which was authorized by Annual Town Meeting in June 2020 and it expects to set its tax rate before December 31, 2020.

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, 2020

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 6,922,102	\$ 1,883,210	\$ 8,805,312
Investments	5,044,124	-	5,044,124
Receivables, net of allowance for uncollectibles:			
Property taxes	189,836	-	189,836
Departmental and other	249,395	-	249,395
Intergovernmental	14,892	-	14,892
User charges	-	435,913	435,913
Capital assets, not being depreciated	9,453,482	395,662	9,849,144
Capital assets, net of accumulated depreciation	13,651,373	4,352,195	18,003,568
Total Assets	35,525,204	7,066,980	42,592,184
Deferred Outflows of Resources			
Related to other postemployment benefit liability	449,075	49,897	498,972
Related to net pension liability	1,106,863	93,940	1,200,803
Total Deferred Outflows of Resources	1,555,938	143,837	1,699,775
Liabilities			
Warrants and accounts payable	224,176	-	224,176
Accrued payroll and withholdings	17,766	-	17,766
Other liabilities	2,599	-	2,599
Bond anticipation notes payable	-	1,100,000	1,100,000
Noncurrent liabilities:			
Due within one year	421,941	51,971	473,912
Due in more than one year	8,738,362	2,314,208	11,052,570
Total Liabilities	9,404,844	3,466,179	12,871,023
Deferred Inflows of Resources			
Related to net other postemployment benefit liability	28,467	3,163	31,630
Related to net pension liability	421,102	35,739	456,841
Total Deferred Inflows of Resources	449,569	38,902	488,471
Net Position			
Net investment in capital assets	22,164,856	1,983,799	24,148,655
Restricted:			
Nonexpendable permanent funds	18,120	-	18,120
Community preservation	3,131,992	-	3,131,992
Other purposes	1,918,152	-	1,918,152
Unrestricted	(6,391)	1,721,937	1,715,546
Total Net Position	\$ 27,226,729	\$ 3,705,736	\$ 30,932,465

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

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	\$ 1,987,951	\$ 222,045	\$ 722	\$ 256,237	\$ (1,508,947)		\$ (1,508,947)	
Public safety	2,938,800	262,586	48,476	-	(2,627,738)		(2,627,738)	
Education	8,416,441	-	58,000	-	(8,358,441)		(8,358,441)	
Public works	1,703,025	50,954	-	188	(1,651,883)		(1,651,883)	
Health and human services	1,063,063	16,934	42,332	-	(1,003,797)		(1,003,797)	
Culture and recreation	510,210	52,509	26,764	-	(430,937)		(430,937)	
Interest	21,775	-	-	-	(21,775)		(21,775)	
Total Governmental Activities	16,641,265	605,028	176,294	256,425	(15,603,518)		(15,603,518)	
<u>Business-Type Activities:</u>								
Water	846,662	1,078,059	-	37,500	-	\$ 268,897	268,897	
Total Primary Government	<u>\$ 17,487,927</u>	<u>\$ 1,683,087</u>	<u>\$ 176,294</u>	<u>\$ 293,925</u>	(15,603,518)	268,897	(15,334,621)	
<u>General Revenues:</u>								
					14,410,021	-	14,410,021	
					785,834	-	785,834	
					55,885	-	55,885	
					Grants and contributions not restricted to specific purposes	368,913	-	368,913
					Unrestricted investment income	304,517	35,703	340,220
					Total general revenues and transfers	15,925,170	35,703	15,960,873
					Change in Net Position	321,652	304,600	626,252
<u>Net Position:</u>								
					Beginning of year	26,905,077	3,401,136	30,306,213
					End of year	<u>\$ 27,226,729</u>	<u>\$ 3,705,736</u>	<u>\$ 30,932,465</u>

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020**

	General	Community Preservation	Library Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 2,956,030	\$ 3,131,992	\$ 131,551	\$ 702,529	\$ 6,922,102
Investments	3,956,825	-	1,008,921	78,378	5,044,124
Receivables, net of allowance for uncollectibles					
Property taxes	186,297	3,539	-	-	189,836
Departmental and other	233,063	560	-	15,772	249,395
Intergovernmental	-	-	-	14,892	14,892
Total Assets	<u>7,332,215</u>	<u>3,136,091</u>	<u>1,140,472</u>	<u>811,571</u>	<u>12,420,349</u>
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 7,332,215</u>	<u>\$ 3,136,091</u>	<u>\$ 1,140,472</u>	<u>\$ 811,571</u>	<u>\$ 12,420,349</u>
Liabilities:					
Warrants and accounts payable	\$ 224,176	\$ -	\$ -	\$ -	\$ 224,176
Accrued payroll and withholdings	17,766	-	-	-	17,766
Other liabilities	2,599	-	-	-	2,599
Total Liabilities	<u>244,541</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>244,541</u>
Deferred Inflows of Resources:					
Unavailable revenues - property taxes	186,297	3,539	-	-	189,836
Unavailable revenues - other	233,063	560	-	15,772	249,395
Total Deferred Inflows of Resources	<u>419,360</u>	<u>4,099</u>	<u>-</u>	<u>15,772</u>	<u>439,231</u>
Fund Balances:					
Nonspendable	-	-	7,500	10,620	18,120
Restricted	43,777	3,131,992	1,132,972	785,179	5,093,920
Committed	952,498	-	-	-	952,498
Assigned	117,985	-	-	-	117,985
Unassigned	5,554,054	-	-	-	5,554,054
Total Fund Balances	<u>6,668,314</u>	<u>3,131,992</u>	<u>1,140,472</u>	<u>795,799</u>	<u>11,736,577</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 7,332,215</u>	<u>\$ 3,136,091</u>	<u>\$ 1,140,472</u>	<u>\$ 811,571</u>	<u>\$ 12,420,349</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, 2020**

Total Governmental Fund Balances	\$ 11,736,577
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	23,104,855
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.	439,231
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	1,106,863
Deferred inflows related to net pension liability	(421,102)
Deferred outflows related to net other postemployment benefits liability	449,075
Deferred inflows related to net other postemployment benefits liability	(28,467)
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	(1,002,867)
Net pension liability	(7,648,236)
Net other postemployment benefit liability	(388,145)
Compensated absences	(121,055)
Net Position of Governmental Activities	<u>\$ 27,226,729</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, 2020**

	General	Community Preservation	Library Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 14,037,744	\$ 337,816	\$ -	\$ -	\$ 14,375,560
Intergovernmental	391,999	169,258	-	202,123	763,380
Excise taxes	784,960	-	-	874	785,834
License and permits	267,024	-	-	-	267,024
Departmental and other revenue	176,248	1,005	-	145,673	322,926
Penalties and interest on taxes	55,885	-	-	-	55,885
Fines and forfeitures	12,097	-	-	-	12,097
Investment income	188,543	28,725	84,688	2,561	304,517
Contributions and donations	-	-	-	38,252	38,252
Total Revenues	<u>15,914,500</u>	<u>536,804</u>	<u>84,688</u>	<u>389,483</u>	<u>16,925,475</u>
Expenditures:					
Current:					
General government	1,107,674	292,858	-	138,010	1,538,542
Public safety	1,787,945	-	-	104,553	1,892,498
Education	8,262,254	-	-	19,036	8,281,290
Public works	1,278,583	-	-	2,025	1,280,608
Health and human services	632,166	-	-	43,704	675,870
Culture and recreation	373,459	28,280	-	52,106	453,845
Community preservation	-	-	-	-	-
Pension and other fringe benefits	1,091,456	-	-	-	1,091,456
State and county tax assessments	85,801	-	-	-	85,801
Debt service:					
Principal	350,614	-	-	105,578	456,192
Interest	20,825	-	-	950	21,775
Total Expenditures	<u>14,990,777</u>	<u>321,138</u>	<u>-</u>	<u>465,962</u>	<u>15,777,877</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	923,723	215,666	84,688	(76,479)	1,147,598
Net Change in Fund Balances	923,723	215,666	84,688	(76,479)	1,147,598
Fund Balances - Beginning	<u>5,744,591</u>	<u>2,916,326</u>	<u>1,055,784</u>	<u>872,278</u>	<u>10,588,979</u>
Fund Balances - Ending	<u>\$ 6,668,314</u>	<u>\$ 3,131,992</u>	<u>\$ 1,140,472</u>	<u>\$ 795,799</u>	<u>\$ 11,736,577</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, 2020**

	<u>Total</u>
Net Change in Fund Balances - Total Governmental Fund Balances	\$ 1,147,598
<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	\$ 168,119
Depreciation expense	<u>(1,125,269)</u>
Net effect of reporting capital assets	(957,150)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither has any effect on Net Position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas these amounts are amortized in the Statement of Activities. The net amount presented here as a reconciling item represents the following differences:</p>	
Repayments of debt	<u>456,191</u>
Net effect of reporting long-term debt	456,191
<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>	
	37,442
<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	(33,782)
Other postemployment benefits	(21,935)
Pension benefits	<u>(306,712)</u>
Net effect of reporting long-term liabilities	<u>(362,429)</u>
Change in Net Position of Governmental Activities	<u>\$ 321,652</u>

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

JUNE 30, 2020

	Business-type Activities Enterprise fund Water
Assets:	
Current assets:	
Cash and cash equivalents	\$ 1,883,210
User fees receivable	435,913
Total current assets	2,319,123
Noncurrent assets:	
Capital assets, not being depreciated	395,662
Capital assets, net of accumulated depreciation	4,352,195
Total noncurrent assets	4,747,857
Total Assets	7,066,980
Deferred Outflows of Resources	
Related to net other postemployment benefit liability	49,897
Related to net pension liability	93,940
Total Deferred Outflows of Resources	143,837
Liabilities:	
Current liabilities:	
Bond anticipation notes payable	1,100,000
Bonds and notes payable	47,029
Compensated absences	4,942
Total current liabilities	1,151,971
Noncurrent liabilities:	
Bonds and notes payable	1,617,029
Compensated absences	4,941
Other postemployment benefit liability	43,127
Net pension liability	649,111
Total noncurrent liabilities	2,314,208
Total Liabilities	3,466,179
Deferred Inflows of Resources	
Related to net other postemployment benefit liability	3,163
Related to net pension liability	35,739
Total Deferred Inflows of Resources	38,902
Net Position:	
Net investment in capital assets	1,983,799
Unrestricted	1,721,937
Total Net Position	\$ 3,705,736

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, 2020

	Business-type Activities Enterprise Fund Water
Operating Revenues:	
Charges for services	\$ 980,448
Other	97,611
Total Operating Revenues	<u>1,078,059</u>
Operating Expenses:	
Operating costs	691,280
Depreciation	95,765
Total Operating Expenses	<u>787,045</u>
Operating Income (Loss)	<u>291,014</u>
Nonoperating Revenues (Expenses):	
Investment income	35,703
Investment expense	(59,617)
Total Nonoperating Revenues (Expenses)	<u>(23,914)</u>
Income (Loss) Before Capital Contributions and Transfers	267,100
Capital Contributions:	
System development fees	37,500
Change in Net Position	<u>304,600</u>
 Total Net Position - Beginning	 <u>3,401,136</u>
Total Net Position - Ending	<u><u>\$ 3,705,736</u></u>

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

**STATEMENT OF CASH FLOW
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2020**

	Business-type Activities Enterprise Fund Water
Cash Flows From Operating Activities:	
Receipts from users	\$ 917,297
Payments to employees	(262,950)
Payments to vendors	(391,443)
Net Cash Provided by Operating Activities	262,904
Cash Flows from Capital and Related Financing Activities	
System development fees	37,500
Acquisition and construction of capital assets	(2,305,410)
Issuance of bonds and notes	1,100,000
Principal payments on bonds and notes	(42,029)
Interest expense	(59,618)
Net Cash (Used for) Capital and Related Financing Activities	(1,269,557)
Cash flows from Investing Activities	
Investment income	35,703
Net Cash Provided by Investing Activities	35,703
Net Change in Cash and Cash Equivalents	(970,950)
Cash and Cash Equivalents:	
Beginning of year	2,854,160
End of year	\$ 1,883,210
Reconciliation of Operating Income to Net Cash Provided	
By (Used for) Operating Activities:	
Operating loss	\$ 291,014
Depreciation expense	95,765
Changes in assets, deferred inflows, and liabilities:	
Receivables (net)	(156,451)
Deferred outflows of resources	(4,311)
Payables	4,108
Deferred inflows of resources	9,465
Net other postemployment benefit liability	24,799
Net pension liability	(1,485)
Net Cash Provided by (Used for) Operating Activities	\$ 262,904

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2020

	Other Postemployment Benefits Trust	Private Purpose Trust Funds	Agency Funds
Assets:			
Cash and cash equivalents	\$ 135,428	\$ -	\$ 57,700
Certificates of Deposit	50,693	241,332	-
Equities	1,400,015	-	-
Fixed Income	486,306	-	-
Government securities	307,558	-	-
Receivables	-	108,779	-
	<u>-</u>	<u>108,779</u>	<u>-</u>
Total Assets	<u>2,380,000</u>	<u>350,111</u>	<u>57,700</u>
Liabilities:			
Other liabilities	-	-	57,700
	<u>-</u>	<u>-</u>	<u>57,700</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>\$ 57,700</u>
Net Position:			
Held in trust for other postemployment benefits	2,380,000	-	
Held in trust for other purposes	-	350,111	
	<u>-</u>	<u>350,111</u>	
Total Net Position	<u>\$ 2,380,000</u>	<u>\$ 350,111</u>	

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2020**

	Other Postemployment Benefits Trust	Private Purpose Trust Funds
Additions:		
Contributions:		
Employer	\$ 91,712	\$ -
Total contributions	91,712	-
Investment income:		
Interest and dividends	131,132	8,079
Total Additions	222,844	8,079
Deductions:		
Benefits paid	91,712	-
Health and human services	-	900
Total Deductions	91,712	900
Change in Net Position	131,132	7,179
Net Position - Beginning	2,248,868	342,932
Net Position - Ending	\$ 2,380,000	\$ 350,111

See accompanying notes to basic financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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 2020, the Town's share of the operating, capital and debt service expenses was \$7,940,578. 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. The Town also is assessed a much smaller amount from a regional vocational and technical school.

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 only has two types of items that qualify for reporting as deferred outflows of resources reported on the government-wide statement of net position that relates to outflows from changes

in the net pension and net other postemployment benefits liabilities. These outflows will be recognized in pension and benefits expense in future years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The Town has three types of items which qualify for reporting in this category. The first arises under a modified accrual basis of accounting and, accordingly, the item *unavailable revenue* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and other. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second type of item that qualifies for reporting as a deferred inflow is reported on the government-wide statement of net position. This relates to inflows from changes in the net pension and net other postemployment benefits liabilities which will be recognized in pension and benefits expense in future years.

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 is 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 \$3,207,802, at June 30, 2020 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 \$15,359 at June 30, 2020 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 \$117,985 of encumbrances from normal purchasing activity in the general fund as assigned and \$952,498 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	\$ 10,620	\$ 18,120
Restricted:					
General government	-	-	-	306,143	306,143
Public safety	-	-	-	44,971	44,971
Public works	-	-	-	3,436	3,436
Health and human services	-	-	-	84,540	84,540
Culture and recreation	-	-	1,132,972	222,739	1,355,711
Community preservation	-	3,131,992	-	-	3,131,992
Municipal buildings	43,777	-	-	-	43,777
Other purposes	-	-	-	123,350	123,350
Committed:					
General government	111,848	-	-	-	111,848
Public safety	260,500	-	-	-	260,500
Public works	580,150	-	-	-	580,150
Assigned:					
General government	28,006	-	-	-	28,006
Public safety	17,750	-	-	-	17,750
Education	378	-	-	-	378
Public works	71,351	-	-	-	71,351
Health and human services	500	-	-	-	500
Unassigned	5,554,054	-	-	-	5,554,054
	<u>\$ 6,668,314</u>	<u>\$ 3,131,992</u>	<u>\$ 1,140,472</u>	<u>\$ 795,799</u>	<u>\$ 11,736,577</u>

E. Excess of Expenditures Over Appropriations and Deficits

During Fiscal Year 2020, the Town incurred no deficits.

F. Use of Estimates

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

II. Detailed Notes to All Funds

A. Deposits and Investments

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

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

Custodial Credit Risk: Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town's deposit policy requires the Town to maintain no more than 25% of the Town's cash balance in any one institution. At year-end, the carrying amount of the Town's deposits was \$8,998,440 and the bank balance was \$9,237,974. Of the Town's bank balance, \$5,294,477 was covered by either federal depository insurance or by the depositors' insurance fund, \$3,042,522 was collateralized and \$900,975 was uninsured and uncollateralized.

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

United States governmental obligations totaling \$3,016,881, corporate bond holdings totaling \$1,488,156, and equity securities totaling \$1,948,716 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, 2020:

	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities:				
U.S. Government obligations	\$ 3,016,881	\$ 3,016,881	\$ -	\$ -
Corporate bonds	1,488,156	-	1,488,156	-
Negotiable certificates of deposit	1,076,904	-	1,076,904	-
Total debt securities	5,581,941	3,016,881	2,565,060	-
Equity securities:				
Common stock	1,948,716	1,948,716	-	-
Total equity securities	1,948,716	1,948,716	-	-
Total investments by fair value level	<u>\$ 7,530,657</u>	<u>\$ 4,965,597</u>	<u>\$ 2,565,060</u>	<u>\$ -</u>

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, 2020, the Town’s investments had the following maturities:

Investments	Total	Time Until Maturity (Years)		
		<1	1 - 5	6 - 10 Years
U.S. Government obligations	\$ 3,016,881	\$ 200,749	\$ 2,212,827	\$ 603,305
Corporate bonds	1,488,156	152,913	1,021,261	313,982
Negotiable certificates of deposit	1,076,904	200,632	876,272	-
Total Town Investments with Maturities	<u>\$ 5,581,941</u>	<u>\$ 554,294</u>	<u>\$ 4,110,360</u>	<u>\$ 917,287</u>

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

Risk – The Town has not adopted a formal policy related to credit risk.

At June 30, 2020, the credit quality ratings of the Town's investments were as follows:

Bond Ratings	Investments		
	Government Obligations	Corporate Fixed Income	Certificate of Deposit
Aaa	\$ 3,016,881	\$ -	\$ -
Aa1	-	184,407	-
Aa2	-	51,480	-
Aa3	-	226,825	-
A1	-	268,090	-
A2	-	267,249	-
A3	-	240,492	-
Baa1	-	143,126	-
Baa2	-	78,987	-
Baa3	-	27,500	-
Not rated	-	-	1,076,904
	<u>\$ 3,016,881</u>	<u>\$ 1,488,156</u>	<u>\$ 1,076,904</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	\$ 186,297	\$ -	\$ 186,297
Tax liens, deferrals, and foreclosures	112,854	-	112,854
Excise	109,588	-	109,588
Other	10,621	-	10,621
Community preservation surcharges	4,099	-	4,099
Title V betterments	15,772	-	15,772
Intergovernmental	14,892	-	14,892
Total	<u>\$ 454,123</u>	<u>\$ -</u>	<u>\$ 454,123</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>\$ 435,913</u>	<u>\$ -</u>	<u>\$ 435,913</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	Other	
	Fund	Governmental	Total
		Funds	
Receivables type:			
Real estate and personal property taxes	\$ 186,297	\$ -	\$ 186,297
Tax liens, deferrals, and foreclosures	112,854	-	112,854
Excise	109,588	-	109,588
Other	10,621	-	10,621
Community preservation surcharges	-	4,099	4,099
Title V betterments	-	15,772	15,772
Total	<u>\$ 419,360</u>	<u>\$ 19,871</u>	<u>\$ 439,231</u>

C. Interfund Receivables, Payables and Transfers

The Town reported no interfund receivables, payables or transfers for the fiscal year ended June 30, 2020.

D. Capital Assets

Capital assets for the year ended June 30, 2020 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
Total capital assets not being depreciated	9,453,482	-	-	9,453,482
Capital assets being depreciated:				
Buildings	14,706,010	-	(550,750)	14,155,260
Improvements other than buildings	1,615,754	100,418	-	1,716,172
Infrastructure	9,191,439	-	-	9,191,439
Machinery and equipment	1,410,957	30,470	(77,070)	1,364,357
Vehicles	3,221,818	37,231	(508,032)	2,751,017
Total capital assets being depreciated	30,145,978	168,119	(1,135,852)	29,178,245
Less accumulated depreciation for:				
Buildings	(7,495,199)	(734,149)	550,750	(7,678,598)
Improvements other than buildings	(1,405,328)	(15,895)	-	(1,421,223)
Infrastructure	(3,021,121)	(166,536)	-	(3,187,657)
Machinery and equipment	(787,554)	(78,225)	77,070	(788,709)
Vehicles	(2,828,253)	(130,464)	508,032	(2,450,685)
Total accumulated depreciation	(15,537,455)	(1,125,269)	1,135,852	(15,526,872)
Total capital assets being depreciated, net	14,608,523	(957,150)	-	13,651,373
Governmental activities capital assets, net	<u>\$ 24,062,005</u>	<u>\$ (957,150)</u>	<u>\$ -</u>	<u>\$ 23,104,855</u>
<u>Business Activities - Water:</u>				
Capital assets not being depreciated:				
Land	\$ 395,662	\$ -	\$ -	\$ 395,662
Construction in process	76,500	2,305,410	-	2,381,910
Total capital assets not being depreciated	472,162	2,305,410	-	2,777,572
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	-	(39,495)	75,522
Total capital assets being depreciated	5,184,638	-	(39,495)	5,145,143
Less accumulated depreciation for:				
Infrastructure	(2,927,889)	(80,401)	-	(3,008,290)
Improvement other than buildings	(5,571)	-	-	(5,571)
Machinery and equipment	(94,200)	(5,728)	-	(99,928)
Vehicles	(90,928)	(9,636)	39,495	(61,069)
Total accumulated depreciation	(3,118,588)	(95,765)	39,495	(3,174,858)
Total capital assets being depreciated, net	2,066,050	(95,765)	-	1,970,285
Business activities capital assets, net	<u>\$ 2,538,212</u>	<u>\$ 2,209,645</u>	<u>\$ -</u>	<u>\$ 4,747,857</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:		Business-Type Activities:	
General government	\$ 114,682	Water	<u>\$ 95,765</u>
Public safety	182,129		
Education	135,151		
Public works	288,786		
Health and human services	378,641		
Culture and recreation	25,880		
	<u>\$ 1,125,269</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 reported temporary debt activity during the current fiscal year as follows:

Type	Interest Rate	Maturity Date	July 1, 2019	Additions	Retirements	June 30, 2020
Business-type Activities - Water:						
BAN	1.75%	7/17/2020	<u>\$ -</u>	<u>\$ 1,100,000</u>	<u>\$ -</u>	<u>\$ 1,100,000</u>

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”.

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	\$ 1,375,000	\$ -	\$ (435,000)	\$ 940,000	\$ 340,000
Notes from direct borrowings and placements	84,058	-	(21,192)	62,866	21,413
Compensated absences	87,273	33,782	-	121,055	60,528
Net other post employment benefits	164,951	553,550	(330,356)	388,145	-
Net pension liability	7,665,741	2,065,558	(2,083,063)	7,648,236	-
Total Governmental Activities	<u>\$ 9,377,023</u>	<u>\$ 2,652,890</u>	<u>\$ (2,869,611)</u>	<u>\$ 9,160,302</u>	<u>\$ 421,941</u>
<u>Business-type Activities: Water</u>					
Bond and note indebtedness	\$ 1,670,000	\$ -	\$ (30,000)	\$ 1,640,000	\$ 35,000
Notes from direct borrowings and placements	36,087	-	(12,029)	24,058	12,029
Compensated absences	5,595	4,289	-	9,884	4,942
Net other post employment benefits	18,328	61,506	(36,707)	43,127	-
Net pension liability	650,596	175,305	(176,790)	649,111	-
Total Business-type Activities: Water	<u>\$ 2,380,606</u>	<u>\$ 241,100</u>	<u>\$ (255,526)</u>	<u>\$ 2,366,180</u>	<u>\$ 51,971</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, 2020:

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%	\$ 1,375,000	\$ -	\$ (435,000)	\$ 940,000
MCWT notes (Title V)	2024	0.00 - 5.25%	84,058	-	(21,192)	62,866
Total Governmental Bond and Note Indebtedness			<u>1,459,058</u>	<u>-</u>	<u>(456,192)</u>	<u>1,002,866</u>
<u>Business-type Activities - Water:</u>						
FHA loan	2022	5.00%	36,087	-	(12,029)	24,058
General obligation bonds	2048	3.00 - 5.00%	1,670,000	-	(30,000)	1,640,000
Total Water Bond and Note Indebtedness			<u>1,706,087</u>	<u>-</u>	<u>(42,029)</u>	<u>1,664,058</u>
Total Long-Term Bond and Note Indebtedness - All			<u>\$ 3,165,145</u>	<u>\$ -</u>	<u>\$ (498,221)</u>	<u>\$ 2,666,924</u>

Year Ending June 30,	Governmental Activities - Total Bond and Note Indebtedness			
	Principal		Interest	
	GO Bonds	Direct	GO Bonds	Direct
2021	\$ 340,000	\$ 21,413	\$ 15,400	\$ 552
2022	305,000	10,363	8,950	-
2023	295,000	10,364	2,950	-
2024	-	10,364	-	-
2025-2029	-	10,362	-	-
Total	<u>\$ 940,000</u>	<u>\$ 62,866</u>	<u>\$ 27,300</u>	<u>\$ 552</u>

Year Ending June 30,	Business-type Activities: Water - Total Bond and Note Indebtedness			
	Principal		Interest	
	GO Bonds	Direct	GO Bonds	Direct
2021	\$ 35,000	\$ 12,029	\$ 56,187	\$ 1,203
2022	35,000	12,029	54,437	601
2023	35,000	-	52,687	-
2024	40,000	-	50,812	-
2025	40,000	-	48,812	-
2026-2030	235,000	-	212,435	-
2031-2035	275,000	-	170,285	-
2036-2040	320,000	-	125,646	-
2041-2045	370,000	-	71,904	-
2046-2050	255,000	-	12,758	-
Total	<u>\$ 1,640,000</u>	<u>\$ 24,058</u>	<u>\$ 855,963</u>	<u>\$ 1,804</u>

Authorized and Unissued Debt – The Town’s authorized and unissued debt as of June 30, 2020:

Septic Loan	\$ 4,911
MCWT	3,100
Water Tank	1,100,000
Soldiers & Sailors Memorial Building	<u>1,250,000</u>
Total	<u>\$ 2,358,011</u>

III. Other Information

A. Retirement System

Plan Description – The Town contributes to the Essex Regional Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan established under Chapter 32 of the Commonwealth of Massachusetts General Laws (MGL) and administered by the Essex Regional Retirement Board. Stand-alone audited financial statements for the year ended

December 31, 2017 were issued and may be obtained by writing to the Essex Regional Retirement System, 491 Maple Street, Suite 202, Danvers MA 01923.

Membership – Membership in the System as of December 31, 2019, was as follows:

Retired participants and beneficiaries receiving benefits	1,930
Inactive participants entitled to a return of their employee contributions	1,210
Active members	2,892
Total	<u>6,032</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 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 \$707,316 to the System in fiscal year 2020, which was the actuarially determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll was approximately 26.89% in fiscal year 2020.

Net Pension Liability – At June 30, 2020, the Town reported a liability of \$8,297,347 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. These figures were updated by the independent actuary as of December 31, 2019. 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 1.969% at December 31, 2019.

Pension Expense – The Town recognized \$1,040,060 in pension expense in the statement of activities in fiscal year 2020.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual earnings	-	309,364
Changes in assumptions	829,299	-
Changes in proportion differences	370,365	-
Differences between expected and actual experience	1,139	39,432
Changes in proportion differences	-	108,046
	<u>\$ 1,200,803</u>	<u>\$ 456,842</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>	<u>Amount</u>
2021	\$ 261,720
2022	206,310
2023	283,051
2024	(7,120)
Total	<u>\$ 743,961</u>

Discount Rate – The discount rate used to measure the total pension liability was 7.30%. 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.

Actuarial Valuation – The measurement of the 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:

Investment rate of return	Full prefunding: 7.3% per year, net of investment expenses
Discount Rate	7.30%
Inflation	2.75%
Salary Increases	7.5% decreasing to 3.75% after 5 years of service
Cost of Living Adjustment	2% of first \$14,000 in 2021 and 3% of first \$14,000 thereafter
Pre-Retirement Mortality	RP-2014 Employee Mortality Table projected generationally with Scale MP 2019
Post-Retirement Mortality	RP-2014 Healthy Annuitant Mortality Table projected generationally with Scale MP 2019
Disabled Mortality	RP-2014 Healthy Annuitant Mortality Table set forward two years projected generationally with Scale MP 2019

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. The target allocations and best estimates of arithmetic real returns for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Expected Investment Rate of Return
Domestic Equity	21.00%	6.15%
International Equity	13.00%	6.78%
International Emerging Markets	5.00%	8.65%
Core fixed income	15.00%	1.11%
High Yield Fixed Income	8.00%	3.51%
Real Estate	10.00%	4.33%
Commodities	4.00%	4.13%
Hedge Fund, GTAA, Risk Parity	11.00%	3.19%
Private Equity	13.00%	9.99%
	<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 7.30% as well as the Town’s proportionate share of the net pension liability using a discount rate that is one percentage point lower (6.30%) or one percentage point higher (8.30%) than the current rate:

	Discount Rate			
	Current Rate	1% lower	Current	1% greater
Net Pension Liability	7.30%	\$ 10,434,424	\$ 8,297,347	\$ 6,501,000

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, 2020, 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, 2020:

Active employees	40
Inactives currently receiving benefits	<u>18</u>
Total	<u>58</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	6.25%
Single Equivalent Discount Rate	6.25%
Inflation	2.40%
Health Care Trend Rate	8.0%; trending down to 5.5% by 2020
Pre-Retirement Mortality - General and Public Safety Employees	RP-2000 Employees Mortality Table base year 2000 projected with generational mortality improvement using Scale BB
Post-Retirement Mortality - General and Public Safety Employees	RP-2000 Healthy Annuitant Mortality Table base year 2000 projected with generational mortality improvement using Scale BB

Key Changes in Assumptions – Discount rate was lowered from 7% to 6.25%.

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 2020. The remainder of the cost is funded from taxation.

The Town currently contributes enough money to the Plan to maintain over 80% funding status. The costs of administering the OPEB Plan are paid by the Town.

For the year ended June 30, 2020, the Town's average contribution rate was 3.4% of covered-employee payroll.

Net OPEB Liability – The Town's net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of July 1, 2018.

Discount Rate – The discount rate used to measure the total OPEB liability was 6.25% 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
Cash and equivalents	2.50%	0.00%
Large cap value stocks	24.00%	4.96%
Large cap growth stocks	24.00%	4.96%
International equity	9.00%	7.01%
Emerging equity	3.00%	7.01%
Short-term fixed income	10.00%	2.22%
Intermediate fixed income	27.50%	1.53%
	<u>100.00%</u>	

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 and healthcare cost trend that is 1.0% lower or 1.0% higher than the current rate:

	Discount Rate			
	Current Rate	1% lower	Current	1% greater
Net OPEB Liability (asset)	6.25%	\$ 869,230	\$ 431,272	\$ 78,813

	Health Care Rate			
	Current Rate	1% lower	Current	1% greater
Net OPEB Liability (asset)	8% trending to 5%	\$ 5,007	\$ 431,272	\$ 973,114

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2020:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balances at June 30, 2019	\$ 2,432,147	\$ 2,248,868	\$ 183,279
Changes for the year:			
Service cost	76,045	-	\$ 76,045
Interest	172,364	-	172,364
Changes in assumptions	278,802	-	278,802
Change in benefits	(56,374)	-	(56,374)
Employer contributions	-	91,712	(91,712)
Benefit payments withdrawn from trust	-	(91,712)	91,712
Net investment income	-	131,132	(131,132)
Benefit payments	(91,712)	-	(91,712)
Net changes	379,125	131,132	247,993
Balances at June 30, 2020	\$ 2,811,272	\$ 2,380,000	\$ 431,272

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2020, the Town recognized OPEB expense of \$116,084. Deferred outflows of

resources and deferred inflows of resources related to OPEB at June 30, 2020 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 380,997	\$ -
Differences between actual and expected experience	117,975	
Differences between expected and actual earnings	-	31,630
	<u>\$ 498,972</u>	<u>\$ 31,630</u>

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,	
2021	\$ 81,470
2022	81,470
2023	97,435
2024	104,345
2025	76,892
thereafter	<u>25,738</u>
	<u>\$ 467,350</u>

Net OPEB Liability/(Asset) – The components of the net OPEB liability/(asset) of the Town at June 30, 2020 were as follows:

Total OPEB Liability	\$ 2,811,272
Plan fiduciary net position	<u>(2,380,000)</u>
Net OPEB liability	<u>\$ 431,272</u>
Plan fiduciary net position as a percentage of the total OPEB liability	84.7%

- 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, 2020, 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, 2020.

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 –

None.

Future Year Implementations

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. As amended, 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 June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefines the manner in which long-term leases are accounted and reported. As amended, the provisions of this Statement are effective for financial reporting periods beginning after June 15, 2021 (fiscal year 2022). 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. As amended, the provisions of this Statement are effective for financial reporting periods beginning after December 15, 2020 (fiscal year 2022). 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. As amended, 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 May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to standardize the reporting of conduit debt obligations by issuers by clarifying the existing definition of conduit debt obligation, among other matters. As amended, the provisions of this Statement are effective for financial reporting periods beginning after December 15, 2021 (fiscal year 2023). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In March 2020, the GASB issued GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate. As amended, the provisions of this Statement are effective for financial reporting periods beginning after June 15, 2021 (fiscal year 2023). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In March 2020, the GASB issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issued related to public-private and public-public partnership arrangements. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2024). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement is to address accounting for subscription-based information technology arrangements to government end users based on the standards established in Statement No. 87, as amended. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2024). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2020, the GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The objective of this Statement is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2021 (fiscal year 2023). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

TOWN OF WEST NEWBURY, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2020

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

(dollar amounts are in thousands)

	Year Ended June 30,				
	2020	2019	2018	2017	2016
Town's proportion of the net pension liability (asset)	1.969%	1.969%	1.823%	1.888%	1.853%
Town's proportionate share of the net pension liability (asset)	\$ 8,297	\$ 8,316	\$ 6,835	\$ 7,274	\$ 6,733
Town's covered-employee payroll	\$ 2,630	\$ 2,598	\$ 2,495	\$ 2,205	\$ 2,379
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	315.5%	320.1%	273.9%	329.9%	283.0%
Plan fiduciary net position as a percentage of the total pension liability	55.5%	51.9%	55.4%	51.1%	51.0%

SCHEDULE OF THE TOWN CONTRIBUTIONS TO PENSION PLAN

(dollar amounts are in thousands)

	Year Ended June 30,				
	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 707	\$ 687	\$ 594	\$ 572	\$ 656
Contributions in relation to the actuarially determined contribution	<u>707</u>	<u>687</u>	<u>594</u>	<u>572</u>	<u>656</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 2,630	\$ 2,598	\$ 2,495	\$ 2,205	\$ 2,379
Contributions as a percentage of covered-employee payroll	26.9%	26.4%	23.8%	25.9%	27.6%

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, 2020

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

	2020	2019	2018
Total OPEB liability:			
Service cost	\$ 76,045	\$ 58,719	\$ 57,287
Interest	172,364	137,033	129,610
Differences between expected and actual experience	-	169,157	-
Changes in assumptions	278,802	207,010	-
Benefit payments	(91,712)	(77,336)	(85,824)
Other	(56,374)	-	-
Net change in total OPEB liability	379,125	494,583	101,073
Total OPEB liability - beginning of year	2,432,147	1,937,564	1,836,491
Total OPEB liability - end of year (a)	<u>\$ 2,811,272</u>	<u>\$ 2,432,147</u>	<u>\$ 1,937,564</u>
Plan fiduciary net position:			
Contributions - employer	\$ 91,712	\$ 77,336	\$ 85,824
Net investment income	131,132	179,419	79,818
Difference between expected and actual plan experience	-	-	130,163
Benefit payments	(91,712)	(77,336)	(85,824)
Other	-	-	-
Net change in Plan fiduciary net position	131,132	179,419	209,981
Plan fiduciary net position - beginning of year	2,248,868	2,069,449	1,859,468
Plan fiduciary net position - end of year (b)	<u>\$ 2,380,000</u>	<u>\$ 2,248,868</u>	<u>\$ 2,069,449</u>
Net OPEB liability (asset) - end of year (a) - (b)	<u>\$ 431,272</u>	<u>\$ 183,279</u>	<u>\$ (131,885)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	84.66%	92.46%	106.81%
Covered-employee payroll	\$ 2,695,931	\$ 2,625,945	\$ 2,661,029
Net OPEB liability as a percentage of covered-employee payroll	16.00%	6.98%	-4.96%

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.

See independent auditors' report.

TOWN OF WEST NEWBURY, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION - OPEB
YEAR ENDED JUNE 30, 2020**

**SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS**

	2020	2019	2018	2017
Actuarially-determined contribution	\$ 91,529	\$ -	\$ 59,869	\$ 121,807
Contributions in relation to the actuarially-determined contribution	(91,712)	(77,336)	(85,824)	(121,807)
Contribution deficiency (excess)	<u>\$ (183)</u>	<u>\$ (77,336)</u>	<u>\$ (25,955)</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,695,931	\$ 2,625,945	\$ 2,661,029	\$ 2,596,126
Contribution as a percentage of covered-employee payroll	3.40%	2.95%	3.23%	4.69%
Valuation Date	July 1, 2018	July 1, 2018	July 1, 2016	July 1, 2016
Amortization Period	30 years	30 years	30 years	30 years
Investment rate of return	6.25%	7.00%	7.00%	7.00%
Single Equivalent Discount Rate	6.25%	7.00%	7.00%	7.00%
Inflation	2.40%	2.60%	2.50%	2.50%
Healthcare cost trend rates	8.00% to 5.00%	8.00% to 5.00%	8.00% to 5.00%	9.00% to 6.00%
Salary increases	2.50%	2.50%	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**

	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	5.83%	8.67%	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, 2020

	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	\$ 13,934,087	\$ 13,934,087	\$ 14,037,744		\$ 14,037,744	\$ 103,657
Intergovernmental	379,515	379,515	391,999		391,999	12,484
Motor vehicle and other excises	811,600	811,600	784,960		784,960	(26,640)
License and permits	220,000	220,000	267,024		267,024	47,024
Departmental and other revenue	202,000	202,000	176,248		176,248	(25,752)
Penalties and interest on taxes	39,185	39,185	55,885		55,885	16,700
Fines, Fees and forfeitures	15,000	15,000	12,097		12,097	(2,903)
Investment income	70,000	70,000	60,478		60,478	(9,522)
Total Revenues	15,671,387	15,671,387	15,786,435		15,786,435	115,048
EXPENDITURES						
General government	1,295,862	1,390,096	1,142,175	\$ 139,854	1,282,029	108,067
Public safety	2,221,182	2,271,929	1,787,945	278,250	2,066,195	205,734
Education	8,246,189	8,262,632	8,262,254	378	8,262,632	-
Public works	1,579,584	2,051,435	1,295,036	651,501	1,946,537	104,898
Health and human services	746,721	746,721	632,166	500	632,666	114,055
Culture and recreation	390,848	390,848	373,459	-	373,459	17,389
Fringe Benefits	1,188,848	1,188,848	1,091,456	-	1,091,456	97,392
State and county tax assessments	80,191	80,191	85,801	-	85,801	(5,610)
Debt service	372,814	372,814	371,439	-	371,439	1,375
Total Expenditures	16,122,239	16,755,514	15,041,731	\$ 1,070,483	16,112,214	643,300
OTHER FINANCING SOURCES (USES)						
Transfers in	351,000	695,000	695,000		695,000	-
Transfers out	(888,800)	(888,800)	(888,800)		(888,800)	-
Total Other Financing Sources (Uses)	(537,800)	(193,800)	(193,800)		(193,800)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE						
	(988,652)	(1,277,927)	\$ 550,904		\$ (519,579)	\$ 758,348
Other Budgetary Items:						
Undesignated surplus (free cash)	\$ 626,600	\$ 915,875				
Prior year encumbrances	347,417	347,417				
Miscellaneous	14,635	14,635				
Total Other Budgetary Items	988,652	1,277,927				
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, 2020

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 2020, Town Meeting approved approximately \$633,000 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, 2020, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 15,786,435
Stabilization investment income	\$ -	\$ 128,065	128,065
Revenues on a GAAP basis	<u>\$ -</u>	<u>\$ 128,065</u>	<u>\$ 15,914,500</u>
Expenditures on a budgetary basis			\$ 15,041,731
Enterprise Fund indirect costs reported as expenditures	\$ (50,954)	\$ -	(50,954)
Expenditures on a GAAP basis	<u>\$ (50,954)</u>	<u>\$ -</u>	<u>\$ 14,990,777</u>
Other financing sources (uses) on a budgetary basis			\$ (193,800)
Stabilization transfers, net	\$ -	193,800	193,800
Other financing sources (uses) on a GAAP basis	<u>\$ -</u>	<u>\$ 193,800</u>	<u>\$ -</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, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated October 22, 2020.

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
October 22, 2020