

TOWN OF NEWBURY, MASSACHUSETTS

Financial Statements

June 30, 2020

(With Accountants' Report Thereon)

Town of Newbury, Massachusetts
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INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS –
TOWN OF NEWBURY

Board of Selectmen
Town of Newbury
12 Kent Way
Suite 101
Byfield, MA 01922

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 Newbury, Massachusetts 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 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 opinion.

Opinion

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 of Newbury, Massachusetts as of June 30, 2020 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2021, on our consideration of the Town of Newbury, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 of Newbury, Massachusetts' internal control over financial reporting and compliance.

Giusti, Hingston and Company

Giusti, Hingston and Company
Certified Public Accountants
Georgetown, Massachusetts
January 12, 2021

Town of Newbury, Massachusetts
Management's Discussion and Analysis
Required Supplementary Information
June 30, 2020

As management of the Town of Newbury, Massachusetts, we offer readers of the Town of Newbury, Massachusetts' financial statements this narrative overview and analysis of the financial activities of the Town of Newbury, Massachusetts for the fiscal year ended June 30, 2020.

Financial Highlights

- The assets and deferred outflows of the Town of Newbury, Massachusetts exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$55,731,551 (*net position*).
- The Town's total net position increased by \$1,489,337 or 2.8% in fiscal year 2020 (not including the effect of the prior period adjustment). The Governmental Activities increased by \$1,382,487 or 2.6% and the Business Type Activities increase by \$106,850 or 15.7%.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,662,784, or 21.4% of total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction of the Town of Newbury, Massachusetts' basic financial statements. The Town of Newbury, Massachusetts' basic financial statements consists of the following: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Newbury, Massachusetts' finances, in a manner similar to private-sector business.

The *Statement of Net Position* presents information on all of the Town of Newbury, Massachusetts' assets/deferred outflows and liabilities/deferred inflows, with the differences 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 of Newbury, Massachusetts 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 of 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).

Government-wide financial statements have a separate column for governmental activities and for business type activities (when applicable). The Town's activities are classified as follows:

- **Governmental Activities** – Activities reported here include education, public safety, public works, library and general administration. Property taxes, motor vehicle excise taxes, federal, state and other local revenues finance these activities.
- **Business-Type Activities** – Activities here are used to account for ambulance services.

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 of Newbury, Massachusetts, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Town of Newbury, Massachusetts are classified as governmental funds and fiduciary funds.

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* 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. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Proprietary funds. The Town of Newbury, Massachusetts maintains one proprietary (enterprise) fund type. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town of Newbury, Massachusetts uses the enterprise fund to account for its ambulance services.

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 enterprise fund. The ambulance fund is considered a major fund of the Town of Newbury, Massachusetts.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements 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. The Town maintains fiduciary funds to account for activities related to its Other Post Employment Benefits (OPEB) trust funds. The OPEB Trust Fund is used to accumulate resources to provide funding for future OPEB liabilities.

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire 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 *required supplementary information* concerning the Town of Newbury, Massachusetts' progress in funding its obligation to provide pension and OPEB benefits to its employees. The *required supplementary information* also includes budget versus actual information.

Reconciliation of Government-wide Financial Statements to Fund Financial Statements

The governmental activities of the government-wide financial statements and the governmental funds of the fund financial statements do not use the same accounting basis and measurement focus. Capital assets and long-term liabilities are not included on the balance sheet of the governmental funds, but are included on the Statement of Net Position. Capital assets are recorded as expenditures when they are purchased in the governmental funds and depreciated over the useful life in the government-wide financial statements.

We have included the following schedules that provide a crosswalk from the government-wide financial statements to the governmental funds of the fund financial statements:

- Reconciliation of the governmental funds balance sheet – total fund balances to the Statement of Net Position.
- Reconciliation of the statement of revenues and expenditures and changes in fund balance of the governmental funds to the statement of activities.

A reconciliation of government-wide financial statements to enterprise funds of the fund financial statements is not necessary. The business-type activities of the government-wide financial statements and the enterprise funds use the same accounting basis and measurement focus.

Financial Analysis of the Government-wide Financial Statements

Net Position

Net position may serve over time as a useful indicator of a government's financial position. However, the net position of governmental activities should be viewed independently from business-type activities. Resources of the governmental activities are not, typically, used to finance costs related to business-type activities. Revenues of the business-type activities are generally used only to finance the operations of the Ambulance Enterprise Fund.

The following table reflects the condensed net position for the past two fiscal years. The prior year amounts were adjusted to reflect the prior period adjustment.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current and Other Assets	\$ 22,055,790	\$ 14,521,547	\$ 506,031	\$ 641,197	\$ 22,561,821	\$ 15,162,744
Capital Assets	64,859,253	62,438,439	287,835	67,195	65,147,088	62,505,634
Total Assets	<u>86,915,043</u>	<u>76,959,986</u>	<u>793,866</u>	<u>708,392</u>	<u>87,708,909</u>	<u>77,668,378</u>
Deferred Outflow of Resources	<u>2,051,098</u>	<u>2,345,574</u>	<u>-</u>	<u>-</u>	<u>2,051,098</u>	<u>2,345,574</u>
Current Liabilities	1,570,506	2,100,690	5,468	26,844	1,575,974	2,127,534
Long Term Liabilities	30,183,070	23,400,299	-	-	30,183,070	23,400,299
Total Liabilities	<u>31,753,576</u>	<u>25,500,989</u>	<u>5,468</u>	<u>26,844</u>	<u>31,759,044</u>	<u>25,527,833</u>
Deferred Inflow of Resources	<u>2,269,412</u>	<u>243,905</u>	<u>-</u>	<u>-</u>	<u>2,269,412</u>	<u>243,905</u>
Net Position:						
Net Investment in Capital Assets	60,722,615	60,946,148	282,367	40,350	61,004,982	60,986,498
Restricted	3,104,556	2,635,145	-	197,530	3,104,556	2,832,675
Unrestricted	(8,884,018)	(10,020,627)	506,031	443,668	(8,377,987)	(9,576,959)
Total Net Position	<u>\$ 54,943,153</u>	<u>\$ 53,560,666</u>	<u>\$ 788,398</u>	<u>\$ 681,548</u>	<u>\$ 55,731,551</u>	<u>\$ 54,242,214</u>

Changes in Net Position

The following condensed financial information was derived from the government-wide Statement of Activities. It reflects how the Town's net position has changed during the fiscal year.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 837,339	\$ 732,841	\$ 370,620	\$ 389,172	\$ 1,207,959	\$ 1,122,013
Operating Grants and Contributions	903,199	1,152,314	-	-	903,199	1,152,314
Capital Grants and Contributions	141,790	146,485	-	-	141,790	146,485
General Revenues:						
Property Taxes	17,539,760	16,773,928	-	-	17,539,760	16,773,928
Motor Vehicle and Other Excises	1,271,293	1,305,824	-	-	1,271,293	1,305,824
Intergovernmental Not Restricted to a Specific Program	958,355	1,093,950	-	-	958,355	1,093,950
Other	672,189	393,988	-	-	672,189	393,988
Total Revenues	<u>22,323,925</u>	<u>21,599,330</u>	<u>370,620</u>	<u>389,172</u>	<u>22,694,545</u>	<u>21,988,502</u>
Expenses						
General Government	2,416,929	2,319,338	-	-	2,416,929	2,319,338
Public Safety	2,832,774	3,015,054	207,173	198,988	3,039,947	3,214,042
Education	10,375,307	10,222,820	-	-	10,375,307	10,222,820
Intergovernmental	146,717	137,588	-	-	146,717	137,588
Highways and Public Works	1,834,622	1,862,397	-	-	1,834,622	1,862,397
Human Services	392,630	324,106	-	-	392,630	324,106
Culture and Recreation	427,983	427,034	-	-	427,983	427,034
Employee Benefits	2,233,524	2,574,325	-	-	2,233,524	2,574,325
Debt Service	337,549	230,814	-	-	337,549	230,814
Total Expenses	<u>20,998,035</u>	<u>21,113,476</u>	<u>207,173</u>	<u>198,988</u>	<u>21,205,208</u>	<u>21,312,464</u>
Increase (Decrease) in Net Position Before Special items	1,325,890	485,854	163,447	190,184	1,489,337	676,038
Special Items and Transfers	56,597	13,376	(56,597)	(26,498)	-	(13,122)
Increase (Decrease) in Net Position	<u>\$ 1,382,487</u>	<u>\$ 499,230</u>	<u>\$ 106,850</u>	<u>\$ 163,686</u>	<u>\$ 1,489,337</u>	<u>\$ 662,916</u>

Governmental Activities

In fiscal year 2020, property taxes accounted for approximately 78.6% of the Town's revenues.

Financial Analysis of the Town's Funds

Governmental Funds

The focus of the Town of Newbury, Massachusetts'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 of Newbury, Massachusetts' financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Town of Newbury, Massachusetts itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Town of Newbury, Massachusetts' Selectmen.

Based upon the balance sheet as of the close of each fiscal year, the Commonwealth of Massachusetts Department of Revenue (DOR) determines the amount of general fund balance available for appropriation. In general, this amount (commonly known as "free cash") is generated when actual revenues on a cash basis exceed budgeted amounts and expenditures and encumbrances (unpaid commitments) are less than appropriations, or both.

The following table reflects the trend in all the components of fund balance and details the certified free cash.

**Changes in Fund Balances
General Fund**

<u>Fiscal Year</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Total Fund Balance</u>	<u>Free Cash</u>
2011 **	\$ 5,876,638	\$ -	\$ 22,501	\$ 950,080	\$ 6,849,219	\$ 413,317
2012	-	-	169,514	1,292,395	1,461,909	959,003
2013	-	-	370,649	1,364,930	1,735,579	848,263
2014	-	-	221,554	2,568,083	2,789,637	1,591,092
2015	-	-	338,384	2,731,722	3,070,106	2,076,506
2016	-	-	1,455,337	2,657,342	4,112,679	1,929,148
2017	-	-	1,639,789	2,396,733	4,036,522	1,499,298
2018	-	-	1,595,023	2,868,021	4,463,044	1,599,349
2019	-	-	832,999	3,944,963	4,777,962	2,803,520
2020	-	1,762,988	112,489	4,662,784	6,538,261	3,232,957

**The Restricted fund balance amount (\$5,876,638) reported in fiscal year 2011 above, relates funds received as part of a debt refunding. Those funds were used to repay the refunded debt, which was due on August 1, 2011.

General Fund Budgetary Highlights

The Town sold tax foreclosed properties and generated \$468,000 of the budgetary surplus in the miscellaneous revenue budget category. Positive budgetary variances occurred in substantially all expenditure categories.

Proprietary Funds

Ambulance Enterprise. The Town of Newbury, Massachusetts' proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Ambulance fund at the end of the fiscal year was \$506,031. Unrestricted net position increased by \$62,363 or 14.1%. The total net position at the end of the fiscal year was \$788,398. Total net position increased by \$106,850 or 15.7%.

Capital Asset and Debt Administration

Capital Assets. The Town of Newbury, Massachusetts' investments in capital assets as of June 30, 2020, amounts to \$65,147,088 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, equipment and vehicles.

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$ 12,337,046	\$ 12,337,046	\$ -	\$ -	\$ 12,337,046	\$ 12,337,046
Construction in Progress	2,459,630	1,005,846	-	-	2,459,630	1,005,846
Buildings	13,920,282	14,326,757	-	-	13,920,282	14,326,757
Improvements Other Than Buildings	281,388	312,144	-	-	281,388	312,144
Infrastructure	32,151,568	32,182,260	-	-	32,151,568	32,182,260
Equipment	1,272,624	1,288,491	-	-	1,272,624	1,288,491
Vehicles	2,436,715	640,897	287,835	67,195	2,724,550	708,092
Total	<u>\$ 64,859,253</u>	<u>\$ 62,093,440</u>	<u>\$ 287,835</u>	<u>\$ 67,195</u>	<u>\$ 65,147,088</u>	<u>\$ 62,160,635</u>

Debt

The Town had \$14,127,571 in bonds outstanding (including unamortized premiums) on June 30, 2020. The long term debt increased by \$7,294,440 during the fiscal year ended June 30, 2020. The increase is the result of the issuance of a bond related to the Police Station - Town Hall renovation project and the normal retirement of general obligation bonds and amortization of the related premiums.

Governmental Activities	<u>2020</u>	<u>2019</u>
General Obligation Bonds Payable	<u>\$ 14,127,571</u>	<u>\$6,833,131</u>

Fiscal Year 2020 Budget

An initiative state statute, commonly known as “Proposition 2 ½”, limits the amount of property taxes that the Town can assess in any one year. In general, the Town’s property tax levy may increase by 2 ½ percent over the prior year’s tax levy, plus any additional amount derived by new developments or other changes made to existing properties. If a community wishes to levy taxes above the limitations imposed by “Proposition 2 ½”, it is necessary to obtain the approval of a majority of the voters at an election.

Request for Information

The financial report is designed to provide a general overview of the Town of Newbury, Massachusetts’ finances for all those with an interest in the government finances. Questions concerning any of the information provided in this report or requests for additional financial information should be address to:

Town of Newbury
Finance Department
12 Kent Way
Suite 101
Byfield, MA 01922

Town of Newbury, Massachusetts
Statement of Net Position
June 30, 2020
(Continued on Page 10)

	Governmental <u>Activities</u>	Business - Type <u>Activities</u>	Government-Wide <u>Total</u>
Assets			
Current:			
Cash/Investments	\$ 16,216,742	\$ 138,363	\$ 16,355,105
Accounts Receivable:			
Property Taxes	225,733	-	225,733
Tax Liens	65,718	-	65,718
Excises	165,654	-	165,654
User Charges	-	367,668	367,668
Other	250	-	250
Intergovernmental	214,616	-	214,616
Special Assessments	25,922	-	25,922
Tax Foreclosures	142,362	-	142,362
Noncurrent:			
Accounts Receivable:			
Deferred Special Assessments	4,998,793	-	4,998,793
Capital Assets:			
Assets Not Being Depreciated	14,796,676	-	14,796,676
Assets Being Depreciated, Net	50,062,577	287,835	50,350,412
Total Assets	<u>86,915,043</u>	<u>793,866</u>	<u>87,708,909</u>
Deferred Outflow of Resources			
Pension	1,392,191	-	1,392,191
OPEB	658,907	-	658,907
Total Deferred Outflow of Resources	<u>2,051,098</u>	<u>-</u>	<u>2,051,098</u>
Total Assets and Deferred Outflow of Resources	<u>88,966,141</u>	<u>793,866</u>	<u>89,760,007</u>
Liabilities			
Current:			
Warrants Payable	266,908	-	266,908
Accrued Salaries Payable	130,977	-	130,977
Other Liabilities	164,039	-	164,039
Capital Lease Payable	-	5,468	5,468
Accrued Interest	103,066	-	103,066
Compensated Absences Payable	72,262	-	72,262
Bonds Payable	833,254	-	833,254
Noncurrent:			
Bonds Payable	13,294,317	-	13,294,317
Capital Lease Payable	1,452,356	-	1,452,356
Net Pension Liability	8,887,005	-	8,887,005
Net Other Post Employment Benefits Liability	5,950,226	-	5,950,226
Landfill Postclosure Costs Payable	599,166	-	599,166
Total Liabilities	<u>31,753,576</u>	<u>5,468</u>	<u>31,759,044</u>

Town of Newbury, Massachusetts
Statement of Net Position
June 30, 2020
(Continued from Page 9)

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Government-Wide Total</u>
Deferred Inflow of Resources			
Pension	487,159	-	487,159
OPEB	1,782,253	-	1,782,253
Total Deferred Inflow of Resources	<u>2,269,412</u>	<u>-</u>	<u>2,269,412</u>
 Total Liabilities and Deferred Inflow of Resources	 <u>34,022,988</u>	 <u>5,468</u>	 <u>34,028,456</u>
 Net Position			
Net Investment in Capital Assets	60,722,615	282,367	61,004,982
Restricted for:			
Debt Service	1,421,133	-	1,421,133
Special Revenue	1,469,428	-	1,469,428
Perpetual Funds:			
Nonexpendable	53,930	-	53,930
Expendable	160,065	-	160,065
Unrestricted (Deficit)	(8,884,018)	506,031	(8,377,987)
Total Net Position	<u><u>\$ 54,943,153</u></u>	<u><u>\$ 788,398</u></u>	<u><u>\$ 55,731,551</u></u>

Town of Newbury, Massachusetts
Statement of Activities
Fiscal Year Ended June 30, 2020

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
Functions/Programs	Expenses	Charges for	Operating	Capital	Governmental	Business-Type	Total
		Services	Grants and Contributions	Grants and Contributions		Activities	
<i>Governmental Activities:</i>							
General Government	\$ 2,416,929	\$ 379,056	\$ 157,852	\$ -	\$ (1,880,021)	\$ -	\$ (1,880,021)
Public Safety	2,832,774	394,599	81,417	-	(2,356,758)	-	(2,356,758)
Education	10,375,307	-	-	-	(10,375,307)	-	(10,375,307)
Intergovernmental	146,717	-	-	-	(146,717)	-	(146,717)
Highways and Public Works	1,834,622	2,440	323,315	141,790	(1,367,077)	-	(1,367,077)
Human Services	392,630	29,910	117,816	-	(244,904)	-	(244,904)
Culture and Recreation	427,983	31,334	28,365	-	(368,284)	-	(368,284)
Employee Benefits	2,233,524	-	-	-	(2,233,524)	-	(2,233,524)
Debt Service	337,549	-	194,434	-	(143,115)	-	(143,115)
Total Governmental Activities	<u>\$ 20,998,035</u>	<u>\$ 837,339</u>	<u>\$ 903,199</u>	<u>\$ 141,790</u>	<u>(19,115,707)</u>	<u>-</u>	<u>(19,115,707)</u>
<i>Business Type Activities:</i>							
Ambulance	207,173	370,620	-	-	-	163,447	163,447
Total Business-Type Activities	207,173	370,620	-	-	-	163,447	163,447
Total	<u>\$ 21,205,208</u>	<u>\$ 1,207,959</u>	<u>\$ 903,199</u>	<u>\$ 141,790</u>	<u>(19,115,707)</u>	<u>163,447</u>	<u>(18,952,260)</u>
<i>General Revenues:</i>							
Property Taxes					17,539,760	-	17,539,760
Motor Vehicle and Other Excise Taxes					1,271,293	-	1,271,293
Penalties and Interest on Taxes					35,405	-	35,405
In Lieu of Tax Payments					50,310	-	50,310
Intergovernmental					958,355	-	958,355
Interest and Investment Income					144,467	-	144,467
Fines and Forfeits					105,137	-	105,137
Miscellaneous Revenue					336,870	-	336,870
Transfer In (Out)					56,597	(56,597)	-
Total General Revenues, Special Items and Transfers					20,498,194	(56,597)	20,441,597
Change in Net Position					1,382,487	106,850	1,489,337
Net Position:							
Beginning of the Year					53,456,447	681,548	54,137,995
Prior Period Adjustment					104,219	-	104,219
Beginning of the Year (As Restated)					53,560,666	681,548	54,242,214
End of the Year					\$ 54,943,153	\$ 788,398	\$ 55,731,551

Town of Newbury, Massachusetts
Governmental Funds
Balance Sheet
June 30, 2020

	<u>General</u>	<u>Betterment</u>	<u>Police Station Town Hall Renovation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Cash/Investments	\$ 6,739,150	\$ 1,421,133	\$ 6,483,102	\$ 1,573,357	\$ 16,216,742
Accounts Receivable:					
Property Taxes	225,733	-	-	-	225,733
Tax Liens	63,814	1,904	-	-	65,718
Excises	165,654	-	-	-	165,654
Other	250	-	-	-	250
Intergovernmental	-	-	-	214,616	214,616
Special Assessments Added to Tax	-	20,883	-	5,039	25,922
Special Assessments Not Yet Due	-	4,998,793	-	-	4,998,793
Tax Foreclosures	142,362	-	-	-	142,362
Total Assets	<u>\$ 7,336,963</u>	<u>\$ 6,442,713</u>	<u>\$ 6,483,102</u>	<u>\$ 1,793,012</u>	<u>\$ 22,055,790</u>
Liabilities, Deferred Inflows of Resources and Fund Balances:					
Liabilities:					
Warrants Payable	\$ 266,908	\$ -	\$ -	\$ -	\$ 266,908
Accrued Salaries Payable	130,977	-	-	-	130,977
Other Liabilities	-	-	59,489	104,550	164,039
Total Liabilities	<u>397,885</u>	<u>-</u>	<u>59,489</u>	<u>104,550</u>	<u>561,924</u>
Deferred Inflows of Resources:					
Unavailable Revenues	<u>400,817</u>	<u>5,021,580</u>	<u>-</u>	<u>142,886</u>	<u>5,565,283</u>
Total Deferred Inflows of Resources	<u>400,817</u>	<u>5,021,580</u>	<u>-</u>	<u>142,886</u>	<u>5,565,283</u>
Fund Equity:					
Fund Balances:					
Nonspendable	-	-	-	53,930	53,930
Restricted	-	1,421,133	6,423,613	1,549,850	9,394,596
Committed	1,762,988	-	-	-	1,762,988
Assigned	112,489	-	-	-	112,489
Unassigned	4,662,784	-	-	(58,204)	4,604,580
Total Fund Balances	<u>6,538,261</u>	<u>1,421,133</u>	<u>6,423,613</u>	<u>1,545,576</u>	<u>15,928,583</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,336,963</u>	<u>\$ 6,442,713</u>	<u>\$ 6,483,102</u>	<u>\$ 1,793,012</u>	<u>\$ 22,055,790</u>

Town of Newbury, Massachusetts
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Fiscal Year Ended June 30, 2020

	<u>General</u>	<u>Betterment</u>	<u>Police Station Town Hall Renovation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues:</u>					
Property Taxes	\$ 17,458,335	\$ -	\$ -	\$ -	\$ 17,458,335
Tax Liens	33,538	-	-	-	33,538
Excises	1,258,616	-	-	-	1,258,616
Penalties and Interest	35,655	-	-	-	35,655
Licenses and Permits	431,904	-	-	-	431,904
Fees and Other Departmental	156,218	-	-	259,216	415,434
Intergovernmental	1,152,789	-	-	606,292	1,759,081
Fines and Forfeits	105,137	-	-	-	105,137
Earnings on Investments	144,467	-	-	3,669	148,136
Special Assessments	-	701,831	-	-	701,831
In Lieu of Taxes	50,310	-	-	-	50,310
Miscellaneous	558,760	-	-	-	558,760
Total Revenues	<u>21,385,729</u>	<u>701,831</u>	<u>-</u>	<u>869,177</u>	<u>22,956,737</u>
<u>Expenditures:</u>					
General Government	2,182,141	-	-	217,365	2,399,506
Public Safety	3,003,987	-	1,703,389	116,287	4,823,663
Education	10,009,175	-	-	-	10,009,175
Highways and Public Works	1,241,098	5,655	-	255,040	1,501,793
Human Services	252,105	-	-	173,536	425,641
Culture and Recreation	294,191	-	-	39,077	333,268
Intergovernmental	146,717	-	-	-	146,717
Employee Benefits	1,780,785	-	-	-	1,780,785
Capital Outlay - Leased Asset	1,518,000	-	-	-	1,518,000
Debt Service	1,362,333	8,414	-	-	1,370,747
Total Expenditures	<u>21,790,532</u>	<u>14,069</u>	<u>1,703,389</u>	<u>801,305</u>	<u>24,309,295</u>
Excess of Revenues Over (Under) Expenditures	<u>(404,803)</u>	<u>687,762</u>	<u>(1,703,389)</u>	<u>67,872</u>	<u>(1,352,558)</u>
<u>Other Financing Sources (Uses):</u>					
Transfers In	654,375	-	-	13,746	668,121
Transfers (Out)	(7,273)	(597,628)	(6,473)	(150)	(611,524)
Proceeds from Bonds	-	-	8,170,000	-	8,170,000
Premium on Bond	-	-	177,518	-	177,518
Capital Lease Financing	1,518,000	-	-	-	1,518,000
Total Other Financing Sources (Uses)	<u>2,165,102</u>	<u>(597,628)</u>	<u>8,341,045</u>	<u>13,596</u>	<u>9,922,115</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>1,760,299</u>	<u>90,134</u>	<u>6,637,656</u>	<u>81,468</u>	<u>8,569,557</u>
Fund Balance, Beginning	4,777,962	1,330,999	-	1,250,065	7,359,026
Prior Period Adjustment	-	-	(214,043)	214,043	-
Fund Balance, Beginning as Restated	<u>4,777,962</u>	<u>1,330,999</u>	<u>(214,043)</u>	<u>1,464,108</u>	<u>7,359,026</u>
Fund Balance, Ending	<u>\$ 6,538,261</u>	<u>\$ 1,421,133</u>	<u>\$ 6,423,613</u>	<u>\$ 1,545,576</u>	<u>\$ 15,928,583</u>

Town of 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	\$ 15,928,583
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	64,859,253
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	5,565,283
Certain changes in the net pension and OPEB liabilities are required to be reported as expenss in future periods. These changes are reported as deferred outflows/ deferred inflows of resources.	
Deferred Outflows of Resources - Pensions	1,392,191
Deferred Inflows of Resources - Pensions	(487,159)
Deferred Outflows of Resources - OPEB	658,907
Deferred Inflows of Resources - OPEB	(1,782,253)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Bonds Payable	(14,127,571)
Capital Lease Payable	(1,452,356)
Accrued Interest Payable	(103,066)
Compensated Absences Payable	(72,262)
Net Pension Liability	(8,887,005)
Other Post Employment Benefits Payable	(5,950,226)
Landfill Accrued Liabilities	(599,166)
Net Position of Governmental Activities	<u><u>\$ 54,943,153</u></u>

Town of Newbury, Massachusetts
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
June 30, 2020

Net change in fund balances - total governmental funds \$ 8,569,557

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. This is the change related to that activity.

Capital Assets Acquired	3,733,561	
Depreciation	(1,312,747)	
Net Effect of Reporting Capital Assets		2,420,814

Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue. (632,812)

The issuance of long-term debt (e.g., bonds and leases) 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 transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Bond issues	(8,170,000)	
Principal Payments on Bonds	1,053,078	
Premium Received	(177,518)	
Capital Lease Issued	(1,518,000)	
Capital Lease Principal Payments	306,425	
Net Effect of Reporting Long Term Debt		(8,506,015)

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. This represents the difference in those items from the prior year.

Net Pension Liability and Deferred Outflows/Inflows Related to Pensions	(446,731)	
Accrued Interest Payable	(19,880)	
Landfill Liability Payable	33,922	
Net OPEB Liability and Deferred Outflows/Inflows Related to OPEB	(6,008)	
Compensated Absence Payable	(30,360)	
Net Effect of Reporting Long-Term Liabilities		(469,057)

Change in net position of governmental activities \$ 1,382,487

Town of Newbury, Massachusetts
Proprietary Funds
Statement of Net Position
June 30, 2020

	<u>Ambulance</u>
Assets	
Current:	
Cash and Investments	\$138,363
Receivables, Net of Allowance for Uncollectibles:	
User Charges	367,668
Noncurrent:	
Assets Being Depreciated, Net	<u>287,835</u>
 Total Assets	 <u>793,866</u>
 Liabilities	
Current:	
Capital Lease Payable	<u>5,468</u>
 Total Liabilities	 <u>5,468</u>
 Net Position	
Net Investment in Capital Assets	282,367
Unrestricted	<u>506,031</u>
 Total Net Position	 <u><u>\$788,398</u></u>

Town of Newbury, Massachusetts
Statement of Revenue, Expenses and Changes in Fund Net Position
Proprietary Funds
Fiscal Year Ended June 30, 2020

	<u>Ambulance</u>
Operating Revenues:	
Charges for Services	\$370,620
	<hr/>
Total Operating Revenues	370,620
	<hr/>
Operating Expenditures:	
Salaries and Wages	92,945
Nonpersonal Services	91,734
Depreciation	22,494
	<hr/>
Total Operating Expenditures	207,173
	<hr/>
Operating Income	163,447
	<hr/>
Other Financing Sources (Uses):	
Transfers Out	(56,597)
	<hr/>
Total Other Financing Sources (Uses)	(56,597)
	<hr/>
Net Income	106,850
	<hr/>
Total Net Position Beginning	681,548
	<hr/>
Total Net Position Ending	\$788,398
	<hr/> <hr/>

Town of Newbury, Massachusetts
Statement of Cash Flows
Proprietary Fund
Fiscal Year Ended June 30, 2020

	<u>Ambulance</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 342,490
Payments to Employees and Others	(92,945)
Payments to Vendors	<u>(113,110)</u>
Net Cash Flows Provided (Used) by Operating Activities	<u>136,435</u>
Cash Flows from Non Capital Related Financing Activities:	
Transfer to Other Funds	<u>(56,597)</u>
Net Cash Flows Provided (Used) by Non Capital Related Financing Activities	<u>(56,597)</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	<u>(243,134)</u>
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(243,134)</u>
Cash Flows from Investing Activities	<u>-</u>
Net Cash Flows Provided (Used) by Investing Activities	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(163,296)
Cash and Cash Equivalents, Beginning	<u>301,659</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 138,363</u></u>
Reconciliation of Net Income to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$163,447
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	22,494
(Increase) Decrease in Assets:	
Accounts Receivable - Customer	(28,130)
Increase (Decrease) in Liabilities:	
Lease Payable	<u>(21,376)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 136,435</u></u>

Town of Newbury, Massachusetts
Statement of Fiduciary Net Position
Fiduciary Funds
Fiscal Year Ended June 30, 2020

	Other Post Employment Benefits <u>Trust</u>
Assets	
Investments:	
Domestic Equities	\$ 124,542
International Equity	75,018
Domestic Fixed Income	119,871
International Fixed Income	23,068
Alternatives	25,731
Cash	<u>967</u>
Total Assets	<u>\$ 369,197</u>
Liabilities	<u>\$ -</u>
Total Liabilities	<u>-</u>
Net Position Restricted for Post Employment Benefits Other than Pensions	<u>\$ 369,197</u>

Town of Newbury
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2020

	Other Post Employment Benefits <u>Trust</u>
Additions:	
Contributions:	
Employer	\$ 373,383
Total Contributions	<u>373,383</u>
Investment Earnings:	
Interest, Dividends and Other	9,453
Net Investment Earnings	<u>9,453</u>
Total Additions	<u>382,836</u>
Deductions:	
Medical, Dental and Life Insurance for Retirees	<u>273,383</u>
Total Deductions	<u>273,383</u>
Net Increase (Decrease) in Fiduciary Net Position	<u>109,453</u>
Net Position:	
Beginning of the Year	<u>259,744</u>
Ending of the Year	<u><u>\$ 369,197</u></u>

Town of Newbury, Massachusetts
Notes to the Financial Statements
June 30, 2020

I Summary of Significant Accounting Policies

The accounting policies of the Town of Newbury, Massachusetts, as reflected in the accompanying financial statements for the year ended June 30, 2020, conform to accounting principles generally accepted in the United States of America for local government units, except as indicated hereafter.

The more significant accounting policies of the Town are summarized below.

(A) Reporting Entity

The Town's basic financial statements include the operations of all organizations for which the Board of Selectmen exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Based on the aforementioned oversight criteria, the Town was the only entity included in the accompanying basic financial statements.

(B) Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The **government-wide financial statements** (i.e., the **statement of net position** and the **statement of activities**) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of the interfund activity has been removed from these statements. Government activities are supported by taxes and intergovernmental revenues.

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

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds (when applicable), even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10% of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), and
- If the total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding element 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) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Essex Regional Retirement System and additions to and deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(D) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

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

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. These revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Primary sources of revenue considered susceptible to accrual consist principally of real estate and personal property taxes, motor vehicle excise tax, amounts due under grants, charges for services and investment income. Property taxes are recognized as revenue in the year for which taxes have been levied, provided they are collected within 60 days after year end. All other revenues are recognized when received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated vacation, accumulated sick pay, and other employee amounts which are not to be liquidated from expendable and available resources; and (2) debt service expenditures which are recognized when due.

The Town reports the following major governmental funds:

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

Betterment Fund – This special revenue fund is used to capture the betterment accounts receivable and related revenues and fund balances. The revenues in the betterment fund are utilized to pay betterment related debt service costs.

Police Station – Town Hall Renovation Fund – This capital project fund is used to report the activity related to renovating the police station and town hall.

The nonmajor governmental funds consists 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 types are funds that are included in the nonmajor category:

The special revenue fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

The permanent fund is used to account for and report financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports the following proprietary fund:

Ambulance Fund – used to account for the activity related to Ambulance Services.

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

The private-purpose trust fund is used to report all fiduciary activities that (a) are not required to be reported in pension (and other employee benefit) trust funds or investment trust funds and (b) are held in a trust that have one or more of the following characteristics: (1) The assets are (a) administered through a trust in which the government itself is not a beneficiary, (b) dedicated to providing benefits to recipients in accordance with the benefit terms, and (c) legally protected from the creditors of the government. (2) The assets are for the benefit of individuals and the government does not have administrative involvement

with the assets or direct financial involvement with the assets. In addition, the assets are not derived from the government's provision of goods or services to those individuals.

The following fiduciary fund types are reported:

The other postemployment benefit trust fund is used to accumulate resources for future other postemployment benefits (OPEB) liabilities.

(E) Assets, Deferred Outflows/Inflows of Resources, Liabilities and Net Position or Equity

i Deposits and Investments

The Town's cash and cash equivalents are considered to be demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain prescribed levels without collateralization by the financial institutions involved. Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase, and units in the Massachusetts Depository Trust ("MMDT").

Also, certain governmental funds (primarily trust funds) have broader investment powers which allow investments in common stocks, corporate bonds and other types of investments.

ii Property Taxes

The Town's fiscal year runs from July 1 to June 30. Taxes are levied to the owner of record on the preceding January 1. The Town bills property taxes on a quarterly basis. Quarterly payments are due on August 1, November 1, February 1 and May 1. Property taxes attach as enforceable liens on property as of July 1 of the next fiscal year.

The Town is permitted under state law to levy property taxes up to 2.5% of the full and fair cash value of the property. In addition, the law limits the amount by which the total property tax assessment can be increased to 2.5% of the preceding year's levy plus any new growth.

iii Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Equipment	5-20
Improvements	20
Infrastructure	20-50
Vehicles	5-20

iv. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and the balance sheet 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.

In addition to liabilities, the statement of net position and the balance sheet 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's governmental fund financial statements (balance sheet) reflect deferred inflows of resources for revenues that are not considered "available". The government wide financial statements (statement of net position) reflect deferred inflows and outflows of resources related to pensions and to other post employment benefits.

v. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows.

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 debt used to acquire capital assets.

Net position is reported as restricted when there is an externally imposed restriction on its use or it is limited by enabling legislation.

vi. *Fund Financial Statements (Fund Balances)*

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to the constraints on the specific purposes for which the amounts in those funds can be spent.

GASB 54 requires the fund balance amounts to be reported within one of the fund balance categories listed below.

1. *Nonspendable*, includes amounts that cannot be spent because they are (a) not in spendable form (such as fund balance associated with inventories) or are (b) legally or contractually required to stay intact (i.e. corpus of a permanent trust fund),
2. *Restricted*, constraints are placed on the use of resources that can be spent only for the specific purposes that are either (a) imposed by creditors, grantors or contributors, or (b) imposed by law through constitution provisions or through enabling legislation,
3. *Committed*, includes amounts that can be used only for the specific purposes determined by a formal action by Town meeting. Town meeting is the highest level of decision making authority in the Town. Committed fund balance cannot be used for any other purposes without another formal vote taken by Town meeting.
4. *Assigned*, intended (by the Board of Selectmen, Town Administrator or Town Accountant) to be used by the government for specific purposes, but do not meet the criteria to be classified as restricted or committed, and
5. *Unassigned*, the residual classification for the government's general fund and includes all spendable amounts not contained in the restricted, committed or assigned categories.

The Town has not formally adopted a policy for its use of unrestricted fund balance. Therefore, in accordance with GASB 54, it considered that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

Details of Fund Balance Classifications

The following schedule shows the detail of the fund balance classifications displayed in the aggregate on the Town's balance sheet.

	<u>General Fund</u>	<u>Betterment Fund</u>	<u>Police Station/ Town Hall Renovation</u>	<u>Non Major Funds</u>	<u>Total</u>
Fund Balances:					
Nonspendable:					
Culture and Recreation	\$ -	\$ -	\$ -	\$ 53,930	\$ 53,930
Total Nonspendable	-	-	-	53,930	53,930
Restricted for:					
General Government	-	-	-	862,715	862,715
Public Safety	-	-	6,423,613	158,015	6,581,628
Human Services	-	-	-	99,895	99,895
Culture and Recreation	-	-	-	429,225	429,225
Debt Service	-	1,421,133	-	-	1,421,133
Total Restricted	-	1,421,133	6,423,613	1,549,850	9,394,596
Committed to:					
General Government	1,323,717	-	-	-	1,323,717
Public Safety	84,075	-	-	-	84,075
Education	92,700	-	-	-	92,700
Public Works	103,139	-	-	-	103,139
Culture and Recreation	159,357	-	-	-	159,357
Total Committed	1,762,988	-	-	-	1,762,988
Assigned to:					
General Government	84,846	-	-	-	84,846
Public Safety	8,858	-	-	-	8,858
Public Works	2,119	-	-	-	2,119
Human Services	15,632	-	-	-	15,632
Culture and Recreation	1,034	-	-	-	1,034
Total Assigned	112,489	-	-	-	112,489
Unassigned	4,662,784	-	-	(58,204)	4,604,580
Total Fund Balances	<u>\$ 6,538,261</u>	<u>\$ 1,421,133</u>	<u>\$ 6,423,613</u>	<u>\$ 1,545,576</u>	<u>\$ 15,928,583</u>

Stabilization Fund

The Town has established a stabilization fund in accordance with Massachusetts General Laws Chapter 40 Section 5B. That section of the law stipulates that "cities, towns and districts may appropriate in any year an amount not exceeding, in the aggregate, 10 per cent of the amount raised in the preceding fiscal year by taxation of real estate and tangible personal property or such larger amount as may be approved by the director of accounts. The aggregate amount in such funds at any time shall not exceed 10 per cent of the equalized valuation of the city or town as defined in section 1 of chapter 44. Any interest shall be added to and become part of the fund".

“The treasurer shall be the custodian of all such funds and may deposit the proceeds in national banks or invest the proceeds by deposit in savings banks, co-operative banks or trust companies organized under the laws of the commonwealth, or invest the same in such securities as are legal for the investment of funds of savings banks under the laws of the commonwealth or in federal savings and loans associations situated in the commonwealth”.

“At the time of creating any such fund the city, town or district shall specify, and at any later time may alter, the purpose of the fund, which may be for any lawful purpose, including without limitation an approved school project under chapter 70B or any other purpose for which the city, town or district may lawfully borrow money. Such specification and any such alteration of purpose, and any appropriation of funds into or out of any such fund, shall be approved by two-thirds vote, except as provided in paragraph (g) of section 21C of chapter 59 for a majority referendum vote. Subject to said section 21C, in a town or district any such vote shall be taken at an annual or special town meeting and in a city any such vote shall be taken by city council”.

The balance in the Town’s stabilization fund as of June 30, 2020 was \$657,682. At the fiscal year 2021 annual town meeting, the Town appropriate \$158,600 of the stabilization fund for fiscal year 2021 purposes. That amount is reported as committed fund balance in the general fund. The unappropriated portion (\$499,082) of stabilization fund is reported as a component of unassigned fund balance in the general fund on the Town’s balance sheet.

vii. Compensated Absences

The vacation and sick leave policies of the Town vary between departments because of various contractual agreements.

In general, employees are entitled to ten vacation days for the first through fourth year of employment. For the fifth through ninth year of employment, three weeks of vacation is allowed. Employees with ten or more years of employment are allowed four weeks of vacation. Employees may carry forward unused vacation time into the next fiscal year as long as it is used by September 30th. The accumulated vacation liability as of June 30, 2020 is reflected in the accompanying financial statements.

Sick leave is accumulated at the rate of 10 hours per month with the maximum accumulation of 960 hours. Sick leave buy back is not allowed upon employee retirement or termination. As a result, an accumulated sick leave benefit liability does not exist as of June 30, 2020.

viii. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the government-wide financial statements and in the fund financial statements for proprietary fund types.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

ix. Use of Estimates

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

x. Total Column

Government-Wide Financial Statements

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial statements.

II **Stewardship, Compliance and Accountability**

(A) Budgetary Information

i General Budget Policies

Budget requests are prepared by the various Town departments and submitted to the Selectmen and Finance Committee for review during January, February and March of each year. The Selectmen and Finance Committee have until the annual Town meeting is held to make any changes to the departments' requests. After approval of the budget at the annual Town meeting, the tax recapitulation (recap) sheet is prepared. During this process the property tax rate is determined and the recap sheet is sent to the Department of Revenue for approval.

Encumbrance accounting is utilized when purchase orders, contracts or other commitments for purchases are recorded in order to reserve that portion of the applicable appropriations. Encumbrances still open at year end are reported as a reservation of fund balance or retained earnings. Encumbrances do not constitute expenditures or liabilities.

ii Budget Basis of Accounting

The final budget appearing in the required supplementary information section of the financial statements is taken from the Town's annual recap sheet and includes those amounts which pertain to fiscal 2020 adjusted for any special Town meeting votes applicable to fiscal 2020 and reserve fund transfers authorized by the Finance Committee.

The following reconciliation summarizes the differences between the budget basis and the Generally Accepted Accounting Principles basis (fund financial statements) for the year ended June 30, 2020.

	<u>Revenues</u>
As Reported Budget Basis	\$21,096,208
Adjustments:	
Sixty Day Accrual - Net	79,951
Subsidies from Massachusetts Water Pollution	
Trust Reported as Intergovernmental Revenue	
on a GAAP Basis	194,434
Stabilization Fund Earnings on Investments	
Reported as General Fund on GAAP Basis	15,136
As Reported GAAP (Fund Financial) Statement	<u><u>\$21,385,729</u></u>
	<u>Expenditures</u>
As Reported Budget Basis	\$20,698,376
Adjustments:	
Beginning Encumbrances	832,999
Ending Encumbrances	(1,553,277)
Interest Expense Paid from Subsidies from	
Massachusetts Water Pollution Abatement	
Trust Reported as Debt Service on GAAP Basis	194,434
Capital Outlay - Leased Asset (GAAP Expense)	1,518,000
Transfer to OPEB Trust Reported as Employer	
Contribution on a GAAP Basis	100,000
As Reported GAAP (Fund Financial) Statement	<u><u>\$21,790,532</u></u>

III **Detailed Notes on All Funds**

A. Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in an event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal deposit policy for custodial credit risk. As of June 30, 2020, \$1,831,579 of the Town's bank balance of \$15,867,732 was exposed to credit risk (i.e. uninsured and uncollateralized).

Investments

As of June 30, 2020, the Town had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>
U.S. Treasuries	\$ 256,933	\$ 59,051	\$ 157,780	\$ 40,102
Corporate Bonds	336,654	100,853	235,801	-
Total Debt Related Securities	593,587	\$ 159,904	\$ 393,581	\$ 40,102
Other Investments:				
Money Market Mutual Funds	28,181			
Stocks and Equities	77,036			
Mutual Funds	368,230			
MMDT	43,131			
Total Other Investments	516,578			
Total Investments	\$ 1,110,165			

Interest Rate Risk

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer (State law limits the amount that may be deposited in a financial institution without collateralization).

Fair Value Measurement

Statement #72 of the Government Accounting Standards Board ("GASB") *Fair Value Measurements and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Town has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the Towns' own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Town's own data.

The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town chooses a tabular format for disclosing the levels within the fair value hierarchy.

The Town has the following recurring fair value measurements as of June 30, 2020:

		<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
		Quoted Prices in Active Markets for <u>Identical Assets</u>	Significant Other Observable <u>Inputs</u>	Significant Unobservable <u>Inputs</u>
	<u>Total</u>			
Investment by Fair Value Level:				
Debt:				
U. S. Treasuries	\$ 256,933	\$ 256,933	\$ -	\$ -
Corporate Bonds	336,654	-	336,654	-
Other Investments:				
Money Market Mutual Funds	28,181	28,181	-	-
Stocks and Equities	77,036	77,036	-	-
Mutual Funds	368,230	368,230	-	-
Total Assets in the Fair Value Hierarchy	<u>1,067,034</u>	<u>\$ 730,380</u>	<u>\$ 336,654</u>	<u>\$ -</u>
Investments Not Subject to Fair Value Hierarchy reporting:				
Money Market	-			
MMDT	43,131			
Total Investments	<u>\$ 1,110,165</u>			

The investments classified in level 1 of the fair value hierarchy were valued using prices quoted in active markets for those securities. Corporate bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique.

Investments classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

B. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Government Activities:				
Assets Not Being Depreciated:				
Land	\$ 12,337,046	\$ -	\$ -	12,337,046
Construction in Progress	1,005,846	1,739,066	(285,282)	2,459,630
Total Capital Assets not Being Depreciated	<u>13,342,892</u>	<u>1,739,066</u>	<u>(285,282)</u>	<u>14,796,676</u>
Assets Being Depreciated:				
Buildings	27,228,490	148,287	-	27,376,777
Improvements Other Than Buildings	713,450	-	-	713,450
Infrastructure	48,432,486	373,552	-	48,806,038
Equipment	2,554,936	129,654	-	2,684,590
Vehicles	2,333,441	1,628,284	-	3,961,725
Total Capital Assets Being Depreciated	<u>81,262,803</u>	<u>2,279,777</u>	<u>-</u>	<u>83,542,580</u>
Less Accumulated Depreciation for:				
Buildings	(12,901,733)	-	(554,762)	(13,456,495)
Improvements Other Than Buildings	(401,306)	-	(30,756)	(432,062)
Infrastructure	(16,250,228)	-	(404,242)	(16,654,470)
Equipment	(1,266,445)	-	(145,521)	(1,411,966)
Vehicles	(1,347,544)	-	(177,466)	(1,525,010)
Total Accumulated Depreciation	<u>(32,167,256)</u>	<u>-</u>	<u>(1,312,747)</u>	<u>(33,480,003)</u>
Capital Assets Being Depreciated, Net	<u>49,095,547</u>	<u>2,279,777</u>	<u>(1,312,747)</u>	<u>50,062,577</u>
Governmental Activities Capital Assets, Net	<u>\$ 62,438,439</u>	<u>\$ 4,018,843</u>	<u>\$ (1,598,029)</u>	<u>64,859,253</u>

Depreciation expense was charged to functions as follows:

Government Activities:	
General Government	\$ 40,666
Public Safety	206,693
Education	418,285
Highways and Public Works	544,852
Culture and Recreation	102,251
Total Governmental Activities Depreciation Expense	<u>\$ 1,312,747</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Business Activities:				
Assets Being Depreciated:				
Vehicles	\$ 103,378	\$ 243,134	\$ -	346,512
Total Capital Assets Being Depreciated	<u>103,378</u>	<u>243,134</u>	<u>-</u>	<u>346,512</u>
Less Accumulated Depreciation for:				
Vehicles	(36,183)	-	(22,494)	(58,677)
Total Accumulated Depreciation	<u>(36,183)</u>	<u>-</u>	<u>(22,494)</u>	<u>(58,677)</u>
Capital Assets Being Depreciated, Net	<u>67,195</u>	<u>243,134</u>	<u>(22,494)</u>	<u>287,835</u>
Business Activities Capital Assets, Net	<u>\$ 67,195</u>	<u>\$ 243,134</u>	<u>\$ (22,494)</u>	<u>287,835</u>

Depreciation expense was charged to functions as follows:

Business Activities	
Ambulance Enterprise	\$ 22,494
Total Business Activities Depreciation Expense	<u>\$ 22,494</u>

C. Capital Leases

The Town entered into lease agreements to finance various acquisitions. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date. The following identifies the assets acquired under the lease agreement.

	<u>Governmental Activities</u>			<u>Business Type Activities</u>
		<u>Aerial Ladder Truck and Pumper</u>	<u>Pumper</u>	<u>Ambulance</u>
Cost	\$ 1,968,000	\$ 1,518,000	\$ 450,000	\$ 103,378
Less: Accumulated Depreciation	(185,600)	(50,600)	(135,000)	(46,520)
Total	<u>\$ 1,782,400</u>	<u>\$ 1,467,400</u>	<u>\$ 315,000</u>	<u>\$ 56,858</u>

The future minimum lease obligations and the net present value of these minimum lease payments at June 30, 2020 are as follows:

	<u>Governmental Activities</u>			<u>Business Type Activities</u>
		<u>Aerial Ladder Truck and Pumper</u>	<u>Pumper</u>	<u>Ambulance</u>
Fiscal Year Ending June 30:	<u>Total</u>			
2021	\$ -	\$ -	\$ -	\$ 5,505
2022	236,907	184,556	52,351	-
2023	236,907	184,556	52,351	-
2024	236,907	184,556	52,351	-
2025	236,907	184,556	52,351	-
2026	184,556	184,556	-	-
2027	184,556	184,556	-	-
2028	184,556	184,556	-	-
2029	184,556	184,556	-	-
Total	<u>1,685,852</u>	<u>1,476,448</u>	<u>209,404</u>	<u>5,505</u>
Less: Amounts Representing Interest	<u>(233,496)</u>	<u>(219,386)</u>	<u>(14,110)</u>	<u>(37)</u>
Present Value of Minimum Lease Payments	<u>\$ 1,452,356</u>	<u>\$ 1,257,062</u>	<u>\$ 195,294</u>	<u>\$ 5,468</u>

D. Accounts Receivable

The accounts receivable on the balance sheet are listed below by levy.

Governmental Activities:

Current:

Property Taxes Receivable:

Real Estate Taxes

2020	<u>\$ 220,525</u>	
Total Real Estate Taxes		<u>\$ 220,525</u>

D. Accounts Receivable (Continued)

Personal Property Taxes		
2020	2,270	
2019 and Prior	2,938	
Total Personal Property Taxes		5,208
Total Property Taxes Receivable		<u>\$ 225,733</u>
Tax Liens		<u>\$ 65,718</u>
Excise Taxes Receivable:		
Motor Vehicle Excise Taxes		
2020	\$ 88,564	
2019	12,555	
2018	3,251	
2017	3,050	
2016	4,043	
2015 and Prior	49,381	
Total Motor Vehicle Excise Taxes		<u>\$ 160,844</u>
Boat Excise		
2020	865	
2019 and Prior	3,945	
Total Boat Excise		4,810
Total Excise Taxes Receivable		<u>\$ 165,654</u>
Other		
Assessors - Municipal Fees		<u>\$ 250</u>
Intergovernmental :		
Commonwealth of Massachusetts - Various Grants	\$ 76,769	
Massachusetts Highway Department - Chapter 90	137,847	
Total Intergovernmental		<u>\$ 214,616</u>
Special Assessments Added to Tax:		
Septic Betterments Added to Taxes	\$ 5,039	
Sewer Betterments Added to Taxes	20,883	
Total Special Assessments		<u>\$ 25,922</u>
Special Assessments Not Yet Due:		
Betterments - Not yet Added to Tax		<u>\$ 4,998,793</u>
<u>Business Type Activities:</u>		
Ambulance:		
User Charges	\$ 367,668	
Total Business Type Activities		<u>\$ 367,668</u>

E. Intergovernmental

The Intergovernmental receivable in the non major funds column represents the amount due from the Massachusetts Highway Department for highway projects.

F. Short Term Debt

The following is the short term debt activity during the current year.

<u>Purpose</u>	<u>Interest Rate</u>	<u>July 1, 2019 Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>June 30, 2020 Balance</u>
<u>Bond Anticipation Notes</u>					
Police Station / Town Hall	2.20%	<u>\$ 450,000</u>	<u>\$ -</u>	<u>\$ (450,000)</u>	<u>\$ -</u>

Long Term Debt

General obligation bonds outstanding at June 30, 2020, bear interest at various rates.

Changes in Long Term Debt - the following is a summary of bond transactions for the year ended June 30, 2020:

Governmental Activities:

<u>General Obligation Bond</u>	<u>Sale Date</u>	<u>Original Borrowing</u>	<u>Interest Rates to Maturities</u>	<u>Final Maturity</u>	<u>Balance July 1, 2019</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance June 30, 2020</u>
MWPAT - Sewer	11/23/2004	\$ 3,820,831	Various	8/01/2034	\$ 2,520,000	\$ -	\$ 120,000	\$ 2,400,000
MWPAT - Water	11/23/2004	4,322,672	Various	8/01/2034	1,443,624	-	219,002	1,224,622
MWPAT - Sewer	12/14/2006	2,800,000	Various	7/15/2036	1,715,158	-	92,518	1,622,640
Sewer	11/1/2005	1,250,000	4.00% ~ 3.75%	6/30/2022	230,000	-	75,000	155,000
Water	11/1/2005	715,000	4.00% ~ 3.75%	6/30/2022	130,000	-	45,000	85,000
Transfer Station	11/1/2005	1,140,000	4.00% ~ 3.75%	6/30/2022	240,000	-	80,000	160,000
MWPAT - Water	12/18/2007	451,487	Various	7/15/2024	159,349	-	26,558	132,791
Library & Recreation	6/30/2011	832,400	2.03%	6/30/2020	35,000	-	35,000	-
Land Acquisition	6/30/2011	765,000	2.03%	6/30/2020	65,000	-	65,000	-
Land Closure	6/30/2011	2,196,000	2.03%	6/30/2020	275,000	-	275,000	-
Sewer	6/30/2011	208,000	2.03%	6/30/2020	20,000	-	20,000	-
Police Station Building Project	2/6/2020	1,715,000	3.14%	10/1/2049	-	1,715,000	-	1,715,000
Police Station/Town Hall Building Project	10/3/2020	6,455,000	2.60%	10/1/2049	-	6,455,000	-	6,455,000
Total Governmental Activities					<u>\$ 6,833,131</u>	<u>\$ 8,170,000</u>	<u>\$ 1,053,078</u>	<u>\$ 13,950,053</u>

F. Short Term Debt (Continued)

(b) Summary of Debt Service Requirements to Maturity

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 827,337	\$ 418,895	\$ 1,246,232
2022	856,597	376,379	1,232,976
2023	670,856	341,153	1,012,009
2024	695,119	313,182	1,008,301
2025	714,913	288,455	1,003,368
2026	434,453	273,358	707,811
2027	454,779	257,657	712,436
2028	475,107	228,462	703,569
2029	495,436	219,236	714,672
2030	505,766	198,724	704,490
2031	516,096	180,650	696,746
2032	536,429	165,467	701,896
2033	546,762	150,631	697,393
2034	557,096	135,544	692,640
2035	572,432	123,853	696,285
2036	372,769	117,710	490,479
2037	378,106	111,338	489,444
2038	285,000	104,887	389,887
2039	295,000	98,440	393,440
2040	305,000	91,540	396,540
2041	310,000	84,084	394,084
2042	315,000	76,353	391,353
2043	330,000	68,375	398,375
2044	335,000	60,106	395,106
2045	340,000	51,669	391,669
2046	350,000	42,872	392,872
2047	360,000	33,647	393,647
2048	370,000	24,162	394,162
2049	380,000	14,419	394,419
2050	<u>365,000</u>	<u>4,741</u>	<u>369,741</u>
Total	<u>\$ 13,950,053</u>	<u>\$ 4,655,989</u>	<u>\$ 18,606,042</u>

(c) Bond Authorizations

The Town does not have any loans authorized and unissued as of June 30, 2020.

(d) Changes in the government's long-term liabilities for the year ended June 30, 2020 are as follows:

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2020</u>	<u>Current Portion</u>
Governmental Activities:					
Bonds Payable	\$ 6,833,131	\$ 8,170,000	\$ 1,053,078	\$ 13,950,053	\$ 827,337
Unamortized Premium	-	177,518	-	177,518	5,917
Total Bonds Payable	6,833,131	8,347,518	1,053,078	14,127,571	833,254
Compensated Absences	41,902	72,262	41,902	72,262	72,262
Capital Lease Payable	240,781	1,518,000	306,425	1,452,356	-
Net Pension Liability	8,780,703	1,427,523	1,321,221	8,887,005	-
Landfill Liability	633,088	-	33,922	599,166	-
Other Post Employment Benefits	<u>7,923,772</u>	<u>569,939</u>	<u>2,543,485</u>	<u>5,950,226</u>	-
Total Governmental Activities	<u>\$ 24,453,377</u>	<u>\$ 11,935,242</u>	<u>\$ 5,300,033</u>	<u>\$ 31,088,586</u>	<u>\$ 905,516</u>
Business Type Activities:					
Capital Lease Payable	<u>\$ 26,844</u>	<u>\$ -</u>	<u>\$ 21,376</u>	<u>\$ 5,468</u>	<u>\$ 5,468</u>

G. Interfund Transfers

The accompanying financial statements reflect transactions between the various funds. These transactions represent operating transfers and do not constitute revenues or expenditures of the funds. Transfers made during the year were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer (Out)</u>	<u>Total</u>
General	\$ 654,375	\$ (7,273)	\$ 647,102
Betterment	-	(597,628)	(597,628)
Police Station-Town Hall Renovation	-	(6,473)	(6,473)
Non-Major Governmental	13,746	(150)	13,596
Proprietary Fund	-	(56,597)	(56,597)
Total	<u>\$ 668,121</u>	<u>\$ (668,121)</u>	<u>\$ -</u>

IV Other Information

Pension Plans

A. General Information about the Pension Plan

Plan Description

The Town provides pension benefits to eligible employees by contributing to the Essex Regional Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Essex Regional Retirement System. The System is administered by a five member board on behalf of all eligible current employees and retirees. The system provides retirement benefits, cost of living adjustments, disability benefits and death benefits.

The system is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (M.G.L.). The authority to establish and amend benefit provisions requires a statutory change to Chapter 32. The Essex Regional Retirement System issues a stand-alone financial report that is available to the public at: https://www.essexregional.com/sites/g/files/vyhlf3121/f/uploads/essex_regional_retirement_system_financial_statements_12-31-2019_-_final.pdf - or by writing to the Essex Regional Retirement System, 491 Maple Street, Suite 202, Danvers, Massachusetts 01923-4025.

Benefits Provided

The Essex Regional Retirement System provides retirement, disability and death benefits as detailed below:

Retirement Benefits

Employees covered by the Contributory Retirement Law are classified into one of four groups depending on job classification. Group 1 comprises most positions in state and local government. It is the general category of public employees. Group 4 comprises mainly police and firefighters. Group 2 is for other specified hazardous occupations. (Officers and inspectors of the State Police are classified as Group 3).

For employees hired prior to April 2, 2012, the annual amount of the retirement allowance is based on the member's final three-year average salary multiplied by the number of years and full months of creditable service at the time of retirement and multiplied by a percentage according to the table below based on the age of the member at retirement.

<u>Benefit %</u>	<u>Group 1</u>	<u>Group 2</u>	<u>Group 4</u>
	<u>Hired on or before April 1 2012</u>		
2.50%	65+	60+	55+
2.40%	64	59	54
2.30%	63	58	53
2.20%	62	57	52
2.10%	61	56	51
2.00%	60	55	50
1.90%	59	N/A	49
1.80%	58	N/A	48
1.70%	57	N/A	47
1.60%	56	N/A	46
1.50%	55	N/A	45

For employees hired on April 2, 2012 or later, the annual amount of the retirement allowance is based on the member's final five-year average salary multiplied by the number of years and full months of creditable service at the time of retirement and multiplied by a percentage according to the tables below based on the age and years of the member at retirement:

	<u>Hired after April 1 2012</u>		
2.50%	67+	62+	57+
2.35%	66	61	56
2.20%	65	60	55
2.05%	64	59	54
1.90%	63	58	53
1.75%	62	57	52
1.60%	61	56	51
1.45%	60	55	50

For all employees, the maximum annual amount of the retirement allowance is 80 percent of the member's final average salary. Any member who is a veteran also receives an additional yearly retirement allowance of \$15 per year of creditable service, not exceeding \$300. The veteran allowance is paid in addition to the 80 percent maximum.

Retirement Benefits - Superannuation

Members of Group 1, 2 or 4 hired prior to April 2, 2012 may retire upon the attainment of age 55. For retirement at ages below 55, twenty years of creditable service is required.

Members hired prior to April 2, 2012 who terminate before age 55 with ten or more years of creditable service are eligible for a retirement allowance upon the attainment of age 55 (provided they have not withdrawn their accumulated deductions from the Annuity Savings Fund of the System).

Members of Group 1 hired April 2, 2012 or later may retire upon the attainment of age 60. Members of Group 2 or 4 hired April 2, 2012 or later may retire upon the attainment of age 55.

Members hired April 2, 2012 or later who terminate before age 55 (60 for members of Group 1) with ten or more years of creditable service are eligible for a retirement allowance upon the attainment of age 55 (60 for members of Group 1) provided they have not withdrawn their accumulated deductions from the Annuity Savings Fund of the System.

Ordinary Disability Benefits

A member who is unable to perform his or her job due to a non-occupational disability will receive a retirement allowance if he or she has ten or more years of creditable service and has not reached age 55. The annual amount of such allowance shall be determined as if the member retired for superannuation at age 55 (age 60 for Group 1 members hired on or after April 2, 2012), based on the amount of creditable service at the date of disability. For veterans, there is a minimum benefit of 50 percent of the member's most recent year's pay plus an annuity based on his or her own contributions.

Accidental Disability Benefit

For a job-connected disability, the benefit is 72 percent of the member's most recent annual pay plus an annuity based on his or her own contributions, plus additional amounts for surviving children. Benefits are capped at 75 percent of annual rate of regular compensation for employees who become members after January 1, 1988.

Death Benefits

In general, the beneficiary of an employee who dies in active service will receive a refund of the employee's own contributions. Alternatively, if the employee were eligible to retire on the date of death, a spouse's benefit will be paid equal to the amount the employee would have received under Option C. The surviving spouse of a member who dies with two or more years of credited service has the option of a refund of the employee's contributions or a monthly benefit regardless of eligibility to retire, if they were married for at least one year. There is also a minimum widow's pension of \$500 per month, and there are additional amounts for surviving children.

If an employee's death is job-connected, the spouse will receive 72 percent of the member's most recent annual pay, in addition to a refund of the member's accumulated deductions, plus additional amounts for surviving children. However, in accordance with Section 100 of Chapter 32, the surviving spouse of a police officer, firefighter or corrections officer who is killed in the line of duty will be eligible to receive an annual benefit equal to the maximum salary held by the member at the time of death. Upon the death of a job-connected disability retiree who retired prior to November 7, 1996 and could not elect an Option C benefit, a surviving spouse will receive an allowance of \$9,000 per year if the member dies for a reason unrelated to cause of disability.

Contributions

Active members of the Essex Regional Retirement System contribute 5%, 7%, 8% or 9% of their gross regular compensation depending on the date upon which their membership began. An additional 2% is required from employees for earnings in excess of \$30,000. The Town is required to pay an actuarially determined rate. The contribution requirement of plan members is determined by M.G.L. Chapter 32. The Town's contribution requirement is established by and may be amended by the Essex Regional Retirement System with the approval of the Public Employee Retirement Administration Commission.

The Town's contractually required contribution rate for the year ended June 30, 2020 was 25.95% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$757,582 for the year ending June 30, 2020.

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the Town reported a liability of \$8,887,005 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. Accordingly, update procedures were utilized to roll back the liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2019, the Town's proportion was 2.109345%.

Costs related to the Town's pension assessment are not charged to the Town's ambulance enterprise fund by way of direct or indirect charges. The Town's has no intention to charge the ambulance enterprise fund for the pension related costs in the future. As a result, the pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions were not allocated to the ambulance enterprise fund.

For the year ended June 30, 2020, the Town recognized pension expense of \$1,204,313. On 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 experience	\$ 1,220	\$ (42,235)
Change in assumptions	888,234	-
Net differences between projected and actual earnings on pension plan investments	-	(331,350)
Changes in proportion and differences between contributions and proportionate share of contributions	502,737	(113,574)
Contributions subsequent to the measurement date	-	-
	<u>\$ 1,392,191</u>	<u>\$ (487,159)</u>

Contributions made subsequent to the measurement date (deferred outflows of resources) are recognized as a reduction of the net pension liability in the next fiscal year. The Town did not have any deferred outflows of resources for contributions made subsequent to the measurement date. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Amount
2021	\$ 297,631
2022	252,232
2023	339,894
Thereafter	-
Total	<u>\$ 905,032</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2019.

Valuation Date	January 1, 2020
Actuarial Cost Method	Entry age normal cost method
Salary Increases	Based on years of service, ranging from 7.5% at 0 years of service decreasing to 3.75% after 5 years of service.
Investment Rate of Return/Discount Rate	7.3% net of pension plan investment expense, included inflation (7.5% in previous report)
Inflation Rate	2.75% (2.75% in previous report)
Cost of Living Adjustments	2% of first \$14,000 for fiscal year 2021 and 3% of the first \$14,000, thereafter
Rates of Retirement	Varies based upon age for general employees, police and fire employees.
Mortality Rates Were Based on the Tables Noted Below:	
Pre-Retirement	RP-2014 Employee Mortality Table projected generationally with Scale MP-2019
Healthy Retiree	RP-2014 Healthy Annuitant Mortality Table projected generationally with Scale MP-2019
Disabled	RP-2014 Healthy Annuitant Mortality Table set forward two years projected generationally with Scale MP-2019

In performing the actuarial valuation, various assumptions are made regarding mortality, retirement, disability and withdrawal rates as well as salary increases and investment returns. A comparison of the results of the current valuation and the prior valuation is made to determine how closely actual experience relates to expected. The mortality tables listed in the assumption table were determined to contain provisions appropriate to reasonably reflect future mortality improvement, based on a review of the mortality experience of the plan.

Changes in Actuarial Assumptions and Plan Provisions

Actuarial Assumptions

The following are the changes in actuarial assumptions effective in the January 1, 2020 valuation:

- The net investment return assumption was lowered from 7.50% to 7.30%.
- The mortality assumption for non-disabled participants was changed from the RP-2000 Employee and Healthy Annuitant Mortality Tables projected generationally using Scale BB to the RP-2014 Employee and Healthy Annuitant Mortality Tables projected generationally using Scale MP-2019.
- The mortality assumption for disabled participants was changed from the RP-2000 Healthy Annuitant Mortality Table set forward two years projected generationally using Scale BB to the RP-2014 Healthy Annuitant Mortality Table set forward two years projected generationally using Scale MP-2019.

- The allowance for net 3(8)(c) payments was changed from a term cost added to the service cost to an estimated liability.

Plans Provisions

Effective January 1, 2020 the Board approved a 2.0% COLA increase on the first \$14,000 of a retirement allowance for fiscal 2021.

Investment Policy

The pension plan's policy in regard to the allocation of invested assets is established by PRIT and the Board. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the pension plan.

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 allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	<u>Target Allocation</u>	<u>Long Term Expected Rate of Return</u>
Domestic Equity	21.00%	6.15%
International Developed Markets Equity	13.00%	6.78%
International Emerging Markets Equity	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 Funds, GTAA, Risk Parity	11.00%	3.19%
Private Equity	13.00%	9.99%
Total	<u>100.00%</u>	

Rate of Return

The annual money-weighted rate of return on pension plan investments for December 31, 2018 (net of investment expenses) was 16.13% (negative 2.43% for December 31, 2018). The money-weighted rate of return expresses investment performance, net of pension plan investment expense, is adjusted for the changing amounts actually invested, measured monthly.

Discount Rate

The discount rate used to measure the total pension liability was 7.30% (7.50% in the previous valuation). The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that the Essex Regional Retirement System contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for the current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service cost for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town's share of the net pension liability of the Essex Regional Retirement System, calculated using the discount rate of 7.3%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.3%) or 1-percentage-point higher (8.3%) than the current rate:

	1% Decrease <u>6.3%</u>	Discount Rate <u>7.3%</u>	1% Increase <u>8.3%</u>
Town's proportionate share of the Net Pension Liability	\$11,175,955	\$8,887,005	\$6,963,000

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the Essex Regional Retirement System's financial report. The financial report is available on the internet at: https://www.essexregional.com/sites/g/files/vyhlf3121/f/uploads/essex_regional_retirement_system_financial_statements_12-31-2019_-_final.pdf

C. Other Postemployment Benefits (OPEB) Disclosures

Summary of Significant Accounting Policies (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Town's Plan and additions to/deductions from Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

The Town determined that costs related to the Town's other post-employment benefits (OPEB) liability will not be charged to the Town's ambulance enterprise fund by way of direct or indirect charges. The Town has no intention to charge the ambulance enterprise fund for the other post-employment benefits related costs in the future. As a result, the OPEB liabilities, OPEB expense, deferred outflows of resources and deferred inflows of resources related to OPEB were not allocated to the ambulance enterprise fund.

General Information About the Plan

Plan Description

Plan Administration: The Town administers all activity related to the other post-employment benefits plan - a single employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all eligible employees of the Town. Management of the plan is vested in the Town's Treasurer. The Town's Board of Selectmen has the authority to establish and amend benefit terms.

Plan Membership: At June 30, 2020, the plans membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	37
Inactive plan members entitled to but not yet receiving benefit payments	0
Active Plan Members	<u>49</u>
Total	86

Benefits Provided: The Town provides retired employees and their spouses and dependents with payments for a portion of their health care and life insurance benefits. Benefits are provided through a third party insurer.

Contributions. The Town pays premiums based on years of service and date of hire. The contribution requirements of plan members and the Town are established by the Town and may be amended from time to time. The Town pays 75% of the total premiums for retirees' health insurance and 75% of the premiums for a \$2,000 life insurance policy. For the year ended June 30, 2020, the Town's average contribution rate was 12.28% of covered 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 liability was determined by an actuarial valuation as of July 1, 2019.

Total OPEB Liability	\$ 6,319,423
Plan Fiduciary Net Position	(369,197)
Net OPEB Liability	<u>\$5,950,226</u>

Plan fiduciary net position as a percentage of the total OPEB liability	5.84%
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Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% as of June 30, 2020 and for future periods
Salary Increases	3.00% annually as of June 30, 2020 and for future periods
Investment Rate of Return	6.72 %, net of OPEB plan investment expense, including inflation
Municipal Bond Rate	2.66% as of June 30, 2020 (source: S&P Municipal Bond 20-Year High Grade Index SAPIHG)
Single Equivalent Discount Rate	6.00 %, net of OPEB plan investment expense, including inflation
Health Cost Trend Rates	4.50%

Mortality Rates were based on the tables noted below:

Pre-Retirement	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females.
Post-Retirement	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.
Disabled	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.

The actuarial assumptions used to calculate the actuarial accrued liability and the service cost primarily reflect the latest experience studies of the Massachusetts PERAC issued in 2014 and their most recent analysis of retiree mortality during 2015 and 2016.

Investments

Investment Policy: The plan's policy in regard to the allocation of invested assets is approved and may be amended by the Treasurer. The intended policy pursues an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

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 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 rates of return for each major asset class summarized in the target asset allocation as of June 30, 2020 is shown below:

	<u>Target Allocation</u>	<u>Long Term Expected Rate of Return</u>
Domestic Equity - Large Cap	20.00%	4.80%
Domestic Equity - Small/Mid Cap	10.00%	5.29%
International Equity - Developed Market	10.00%	5.45%
International Equity - Emerging Market	5.00%	6.42%
Domestic Fixed Income	25.00%	2.05%
International Fixed Income	10.00%	3.00%
Alternatives	20.00%	6.50%
Cash	0.00%	0.00%
Total	<u>100.00%</u>	

Concentrations

The OPEB plan did not hold investments in any one organization that represent 5% or more of the OPEB plan's fiduciary net position.

Rate of Return

For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 2.83% (6.47% in the prior fiscal year). The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

The discount rate used to measure the total OPEB liability was 6.0% (4.75% in the prior valuation). The projection of cash flows used to determine the discount rate assumed that Town contributions will be made in accordance with the Town's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position is projected to be insufficient to make all projected benefit payments to current plan members. Therefore, the long-term expected rate of return on the OPEB Plan assets is applied to the projected benefits payments which the Fiduciary Net Position is expected to be sufficient to cover and the Municipal Bond Rate is applied thereafter.

Changes in Net OPEB Liability

	Increase (Decrease)		
	Plan		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances 6/30/19	\$ 8,183,516	\$ 259,744	\$ 7,923,772
Service cost	179,131	-	179,131
Interest	390,808	-	390,808
Changes of benefit terms	-	-	-
Changes in assumptions	(618,333)	-	(618,333)
Difference between expected and actual experience	(1,542,316)	-	(1,542,316)
Contributions - employer	-	373,383	(373,383)
Net investment income	-	9,453	(9,453)
Benefit payments	(273,383)	(273,383)	-
Net changes	(1,864,093)	109,453	(1,973,546)
Balances 6/30/20	\$ 6,319,423	\$ 369,197	\$ 5,950,226

Changes in Assumptions:

- The discount rate has been changed from 4.75% to 6.00%
- The mortality table has been updated from the RP-2000 Mortality Table projected to 2017 for males and females to the RP-2014 Mortality Table projected generationally with scale MP-2016 for males and females
- The expected long-term medical trend has been updated to 4.50%
- Based on recent research by the Society of Actuaries, the assumption for morbidity or age-related costs of medical care has been updated.

Changes in Benefit Terms: None

Sensitivity of the net OPEB liability to changes in the discount rate: The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
	<u>5.00%</u>	<u>6.00%</u>	<u>7.00%</u>
Total OPEB Liability (asset)	\$6,783,356	\$5,950,226	\$5,268,667

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates: The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
	<u>3.50% per year</u>	<u>4.50% per year</u>	<u>5.50% per year</u>
Total OPEB Liability (asset)	\$5,215,337	5,950,226	\$6,862,221

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the Town recognized OPEB expense of \$379,391. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 649,382	\$ (1,272,209)
Change in assumptions	-	(510,044)
Net differences between projected and actual earnings on OPEB plan investments	9,525	-
	<u>\$ 658,907</u>	<u>\$ (1,782,253)</u>

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

Year ended June 30:	Amount
2021	\$ (169,788)
2022	(169,790)
2023	(169,889)
2024	(345,210)
2025	(268,669)
Thereafter	-
Total	<u>\$ (1,123,346)</u>

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the accompanying financial statements.

D. Subsequent Year Authorizations

The Town adopted a fiscal 2021 operating and capital budget of \$21,932,342. Budgetary amounts which are not reflected in the accompanying financial statements will be financed by the following sources:

Property Taxes, State Aid and Non-Property Tax Revenue	\$20,569,651
Fund Balance Committed:	
General Fund	321,600
Fund Balance Restricted:	
Betterment Fund	574,466
Non Major Fund	190,100
Enterprise Fund Revenues	276,525
Total Budget	<u>\$21,932,342</u>

E. Solid Waste Landfill Closure and Postclosure Care Costs

State and Federal regulations require that landfill closures meet certain standards. Among the standards is the requirement to monitor the landfill for 30 years. Accounting principles generally accepted in the United States of America require recognition of a liability for closure and postclosure costs based on landfill capacity used to date. The landfill capacity used to date (as of June 30, 2020) is 100%. The Town's estimates for monitoring costs are included as a liability in the Statement of Net Position.

F. Significant Commitments and Contingencies
Encumbrances

Encumbrances for open purchase are reported as Assigned Fund Balance unless the resources have already been restricted, committed or assigned for another purpose. The assigned fund balance in the general fund includes encumbrances of \$112,489.

G. Implementation of New GASB Pronouncements

During fiscal year 2020, the Town was not required to implement any new GASB pronouncements. The Town early implemented GASB Statement No. 84 in fiscal year 2019.

The following GASB pronouncements will be implemented in future fiscal years:

- Statement No. 87, Leases which is effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter.
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period which is effective for reporting periods beginning after December 15, 2020.
- Statement No. 90 Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61 which is effective for reporting periods beginning after December 15, 2019.
- Statement No. 91, Conduit Debt Obligations which is effective for reporting periods beginning after December 15, 2021.
- Statement No. 92 Omnibus 2020, paragraphs 6 and 7 - fiscal years beginning after June 15, 2021; paragraphs 8, 9, and 12 - reporting periods beginning after June 15, 2021 and paragraph 10 - government acquisitions occurring in reporting periods beginning after June 15, 2021.
- Statement No. 93 Replacement of Interbank Offered Rates the requirements, except for paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years periods beginning after June 15, 2021, and all reporting periods thereafter.
- Statement No. 94 Public-Private and Public-Public Partnerships and Availability Payment Arrangements which is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- Statement No. 96 Subscription-Based Information Technology Arrangements which is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

Management is currently assessing the impact that the implementation of these pronouncements will have on the basic financial statements.

H. Prior Period Adjustments

A prior period adjustment was made in the fund financial statements in order to report the Police Station - Town Hall Renovation Capital Project as a Major Fund in fiscal year 2020. The entry did not impact the government-wide financial statements. The fund balance prior to the adjustment, the prior period adjustment and the fund balance after the prior period adjustment are as follows:

	Nonmajor Governmental Funds	Police Station Town Hall Renovation
Fund Balance Prior to the Adjustment	\$ 1,250,065	\$ -
Prior Period Adjustment	214,043	(214,043)
Fund Balance After the Adjustment	<u>\$ 1,464,108</u>	<u>\$ (214,043)</u>

In addition, a prior period adjustment was made to reflect a capital asset (and lease) acquired in a prior period. The adjustment only impacted the Governmental Activities in the government-wide financial statements. The Net position prior to the adjustment and the net position after the adjustment are as follows:

	Governmental Activities
Net Position Prior to the Adjustment	<u>\$ 53,456,447</u>
Prior Period Adjustment	104,219
Net Position Prior After the Adjustment	<u>\$ 53,560,666</u>

REQUIRED SUPPLEMENTARY INFORMATION

Town of Newbury, Massachusetts
Required Supplementary Information
General Fund
Statement of Revenues and Expenditures - Budget and Actual
June 30, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Property Taxes	\$ 17,200,257	\$ 17,416,222	\$ 17,383,618	\$ (32,604)
Tax Liens	-	-	33,538	33,538
Excises	1,314,000	1,314,000	1,253,382	(60,618)
Penalties and Interest	36,000	36,000	35,655	(345)
Licenses and Permits	359,000	359,000	431,904	72,904
Fees and Other Departmental	127,000	127,000	156,218	29,218
Intergovernmental	948,028	948,028	958,355	10,327
Fines and Forfeits	120,000	120,000	105,137	(14,863)
Earnings on Investments	73,000	73,000	129,331	56,331
In Lieu of Taxes	58,000	58,000	50,310	(7,690)
Miscellaneous	24,000	24,000	558,760	534,760
Total Revenues	20,259,285	20,475,250	21,096,208	620,958
Expenditures				
General Government	2,321,126	3,278,507	3,060,458	218,049
Public Safety	3,075,696	3,180,126	2,973,701	206,425
Education	10,212,748	10,212,748	10,009,175	203,573
Highway and Public Works	1,274,606	1,274,606	1,100,468	174,138
Health and Human Services	319,532	319,532	267,474	52,058
Culture and Recreation	288,258	304,208	295,001	9,207
Intergovernmental	149,248	149,248	146,717	2,531
Employee Benefits	1,732,456	1,732,456	1,680,785	51,671
Debt Service	1,139,840	1,320,405	1,164,597	155,808
Total Expenditures	20,513,510	21,771,836	20,698,376	1,073,460
Excess (Deficiency) of Revenues Over Expenditures	(254,225)	(1,296,586)	397,832	1,694,418
Other Financing Sources (Uses):				
Transfers In	654,225	654,375	654,375	-
Other Available Funds	-	1,042,211	1,042,211	-
Transfers Out	(400,000)	(400,000)	(407,273)	(7,273)
Total Other Financing Sources (Uses)	254,225	1,296,586	1,289,313	(7,273)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Uses	\$ -	\$ -	\$ 1,687,145	\$ 1,687,145

See Notes to the Required Supplementary Information

Required Supplementary Information
Schedule of the Town of Newbury, Massachusetts Proportionate Share of the Net Pension Liability
Essex Regional Retirement System **
Last Ten Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportionate share of net pension liability (asset) (%)	2.109345%	2.078000%	1.867575%	1.953000%	1.971000%	1.910000%
Town's proportionate share of net pension liability (asset) (\$)	8,887,005	8,780,703	7,135,340	7,526,365	6,617,673	6,480,618
Town's covered payroll	2,918,867	2,931,340	2,814,757	2,549,341	2,320,540	2,232,466
Town's proportionate share of net pension liability (asset) as a percentage of its covered payroll	304.47%	299.55%	253.50%	295.23%	285.18%	290.29%
Plan fiduciary net position as a percentage of the total pnsion liability	55.46%	51.89%	55.40%	51.12%	51.01%	52.27%

** The amounts presented for each fiscal year were determined as of December 31.

This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.

See Notes to the Required Supplementary Information

Required Supplementary Information
Schedule of the Town of Newbury, Massachusetts' Contributions
Essex Regional Retirement System
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 757,582	\$ 694,576	\$ 590,423	\$ 565,999	\$ 541,397	\$ 489,986
Contributions in relation to the contractually required contribution	<u>(757,582)</u>	<u>(694,576)</u>	<u>(590,423)</u>	<u>(565,999)</u>	<u>(541,397)</u>	<u>(489,986)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 2,918,867	\$ 2,931,340	\$ 2,814,757	\$ 2,549,341	\$ 2,320,540	\$ 2,232,466
Contributions as a percentage of covered payroll	25.95%	23.69%	20.98%	22.20%	23.33%	21.95%

See Notes to the Required Supplementary Information

"Schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available"

Town of Newbury, Massachusetts
Required Supplementary Information
Schedule of Changes in the Net OPEB Liability and Related Ratios
June 30, 2020
Last 10 Fiscal Years

	2020	2019	2018	2017
Total OPEB Liability				
Service cost	\$ 179,131	\$ 318,609	\$ 303,274	\$ 309,897
Interest	390,808	376,776	356,150	270,314
Changes of benefit terms	-	-	-	-
Changes in assumptions	(618,333)	-	-	-
Difference between expected and actual experience	(1,542,316)	-	795,150	-
Benefit payments	(273,383)	(247,896)	(233,310)	(229,364)
Net change in total OPEB liability	(1,864,093)	447,489	1,221,264	350,847
Total OPEB liability - beginning	8,183,516	7,736,027	6,514,763	6,163,916
Total OPEB liability - ending (a)	\$ 6,319,423	\$ 8,183,516	\$ 7,736,027	\$ 6,514,763
Plan Fiduciary net position				
Contributions - employer	\$ 373,383	\$ 297,896	\$ 283,310	\$ 25,000
Net investment income	9,453	14,488	8,602	6,300
Benefit payments	(273,383)	(247,896)	(233,310)	-
Administrative expense	-	-	-	-
Net change in plan fiduciary net position	109,453	64,488	58,602	31,300
Plan fiduciary net position - beginning	259,744	195,256	136,654	105,354
Plan fiduciary net position - ending (b)	\$ 369,197	\$ 259,744	\$ 195,256	\$ 136,654
Town's net OPEB liability - ending (a) - (b)	\$ 5,950,226	\$ 7,923,772	\$ 7,540,771	\$ 6,378,109
Plan fiduciary net position as a percentage of the total OPEB liability	6.20%	3.28%	2.59%	2.14%
Covered payroll	\$ 3,040,444	\$ 2,729,195	\$ 2,649,704	N/A
Town's net OPEB liability as a percentage of covered payroll	195.70%	290.33%	284.59%	N/A

Notes to Schedule:

Changes in Assumptions:

- The discount rate has been changed from 4.75% to 6.00%
- The mortality table has been updated from the RP-2000 Mortality Table projected to 2017 for males and females to the RP-2014 Mortality Table projected generationally with scale MP-2016 for males and females
- The expected long-term medical trend has been updated to 4.50%
- Based on recent research by the Society of Actuaries, the assumption for morbidity or age-related costs of medical care has been updated.

Changes in Benefit Terms:

None

Town of Newbury, Massachusetts
Required Supplementary Information
Schedule of Contributions - Other Post Employment Benefits
June 30, 2020
Last 10 Fiscal Years

	2020	2019	2018	2017
Actuarial determined contribution	\$ 586,940	\$ 796,754	\$ 688,149	\$ 674,524
Contributions in relating to the actuarially determined contribution	373,383	297,896	283,310	254,364
Contribution deficiency (excess)	<u>\$ 213,557</u>	<u>\$ 498,858</u>	<u>\$ 404,839</u>	<u>\$ 420,160</u>
Covered payroll	\$ 3,040,444	\$ 2,729,195	\$ 2,649,704	N/A
Contributions as a percentage of covered payroll	12.28%	10.92%	10.69%	N/A

Notes to Schedule

Valuation date:	July 1, 2019
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Individual Entry Age Normal
Amortization method	Level dollar
Amortization period	30 Years
Asset valuation method	Market Value of Assets as of the Measurement Date, June 30, 2020
Inflation	2.50 % as of June 30, 2020 and for future periods
Healthcare cost trend rates	4.50% for future periods
Salary increases	3.00 % annually as of June 30, 2019 and for future periods
Investment rate of return	6.72%, net of OPEB plan investment expense, including inflation.
Municipal Bond Rate	2.66% as of June 30, 2020 (source: S&P Municipal Bond 20-Year High Grade Index SAPIHG)
Single Equivalent Discount Rate	6.00 %, net of OPEB plan investment expense, including inflation
Mortality	
Pre-Retirement	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females.
Post-Retirement	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.
Disabled	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females

See Notes to the Required Supplementary Information

"The schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available"

Town of Newbury, Massachusetts
Required Supplementary Information
Schedule of Investment Returns - GASB 74
Last 10 Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	2.83%	6.47%	5.33%	7.05%

"Schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available"

See Notes to the Required Supplementary Information

Town of Newbury, Massachusetts
Notes to the Required Supplementary Information
June 30, 2020

(I) Budgetary Information

Budget requests are prepared for the various Town Departments and submitted to the Selectmen and Finance Committee for review during January and February of each year. The Selectmen and Finance Committee have until the annual Town meeting is held, to make any changes to the departments' requests. After approval of the budget at the annual Town meeting, the tax recapitulation (recap) sheet is prepared. During this process the property tax rate is determined and the recap sheet is sent to the Department of Revenue for approval.

Encumbrance accounting is utilized when purchase orders, contracts or other commitments for purchases are recorded in order to reserve that portion of the applicable appropriations. Encumbrances still open at year end are reported as a reservation of fund balance. Encumbrances do not constitute expenditures or liabilities.

(II) Pension Plans

i. Plan Description

The Town provides pension benefits to eligible employees by contributing to the Essex Regional Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Essex Regional Retirement System. The System is administered by a five member board on behalf of all eligible current employees and retirees. The system provides retirement benefits, cost of living adjustments, disability benefits and death benefits.

The Town is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (MGL). The authority to establish and amend benefit provisions requires a statutory change to Chapter 32. The Essex Regional Retirement System issues a stand-alone financial report that is available to the public at:

https://www.essexregional.com/sites/g/files/vyhlf3121/f/uploads/essex_regional_retirement_system_financial_statements_12-31-2019_-_final.pdf

or by writing to the Essex Regional Retirement System, 491 Maple Street, Suite 202, Danvers, Massachusetts 01923-4025.

ii. Funding Plan

Active members of the Essex Regional Retirement System contribute either 5%, 7%, 8% or 9% of their gross regular compensation depending on the date upon which their membership began. An additional 2% is required from employees for earnings in excess of \$30,000. The Town is required to pay an actuarially determined rate. The contribution requirements of plan members are determined by M.G.L. Chapter 32. The Town's contribution requirement is established and may be amended by the Essex Regional Retirement System with the approval of the Public Employee Retirement Administration Commission.

iii. Changes in Actuarial Assumptions and Plan Provisions

The following are the changes in actuarial assumptions effective in the January 1, 2020 valuation:

- The net investment return assumption was lowered from 7.50% to 7.30%.
- The mortality assumption for non-disabled participants was changed from the RP-2000 Employee and Healthy Annuitant Mortality Tables projected generationally using Scale BB to the RP-2014 Employee and Healthy Annuitant Mortality Tables projected generationally using Scale MP-2019.
- The morality assumption for disabled participants was changed from the RP-2000 Healthy Annuitant Mortality Table set forward two years projected generationally using Scale BB to the RP-2014 Healthy Annuitant Morality Table set forward two years projected generationally using Scale MP-2019.
- The allowance for net 3(8)(c) payments was changed from a term cost added to the service cost to an estimated liability.

Plans Provisions

Effective January 1, 2020 the Board approved a 2.0% COLA increase on the first \$14,000 of a retirement allowance for fiscal 2021.

iv. Schedule of Town's Proportionate Share of the Net Pension Liability

The schedule details the Town's percentage of the collective net pension liability, the proportionate amount of the collective net pension liability, the Town's covered payroll, the Town's proportionate share of the collective net pension liability as a percentage of the Town's covered payroll and the fiduciary net position of the plan as a percentage of the total pension liability. As more information becomes available, this will be a ten year schedule.

v. Schedule of the Town's Contributions

The schedule details the Town's contractually required contributions, the contributions made by the Town, the deficiency/(excess) of contributions made by the Town, the Town's covered payroll and the Town's contributions as a percentage of covered payroll. As more information becomes available, this will be a ten year schedule.

(III) Other Postemployment Benefits (OPEB) Disclosures

Plan Description

Plan Administration: The Town administers all activity related to the other post-employment benefits plan - a single employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all eligible employees of the Town. Management of the plan is vested in the Board of Selectmen and the Town's Treasurer. The Town's Board of Selectmen has the authority to establish and amend benefit terms.

Benefits Provided: The Town provides retired employees and their spouses and dependents with payments for a portion of their health care and life insurance benefits. Benefits are provided through a third party insurer.

Contributions. The Town pays premiums based on years of service and date of hire. The contribution requirements of plan members and the Town are established by the Town and may be amended from time to time. The Town pays 75% of the total premiums for retirees' health insurance and 75% of the premiums for \$2,000 life insurance policy.

iii. Schedule of Net OPEB Liability and Related Ratios

The schedule provides information about the changes in the OPEB liability and the changes in the fiduciary net position of the plan. The schedule, also, provides the plan fiduciary net position as a percentage of the total OPEB liability, the covered employee payroll and the Town's net OPEB liability as a percentage of covered employee payroll.

iv. Schedule of Contributions - Other Post Employment Benefits

The schedule details the Town's actuarially required contributions, the contributions made by the Town, the deficiency/(excess) of contributions made by the Town, the Town's covered payroll and the Town's contributions as a percentage of covered payroll.

v. Schedule of Investment Rate of Returns - Other Post Employment Benefits

The schedule details the Town's annual money weighted rate of return, net of investment expense.

INDEPENDENT AUDITOR'S 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*

Board of Selectmen
Town of Newbury
12 Kent Way
Suite 101
Byfield, MA 01922

We have audited, in accordance with the 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 Newbury, Massachusetts, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Newbury, Massachusetts' basic financial statements, and have issued our report thereon dated January 12, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Newbury, Massachusetts' 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 of Newbury, Massachusetts' internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Newbury, Massachusetts' 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 of Newbury, Massachusetts' financial statements are free from 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.

Giusti, Hingston and Company

Giusti, Hingston and Company

Certified Public Accountants

Georgetown, Massachusetts

January 12, 2021