

TOWN OF UPTON, MASSACHUSETTS

2020 Post-Audit Conference


Board of Selectmen

March 30, 2021

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 - Terenzio Volpicelli, CPA, Partner
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REQUIRED COMMUNICATIONS

- What is a governmental financial statement audit?
 - Management's versus auditors' responsibilities
 - Significant accounting estimates in the financial statements
 - Total pension liability
 - Total other postemployment benefit (OPEB) liability
 - Allowances for doubtful accounts
 - No reportable difficulties/disagreements with management
 - Complete required communication letter provided separately
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CURRENT **MACRO** ECONOMIC TRENDS

- Massachusetts unemployment among highest in nation:
 - Started 2020 at 2.8%
 - High of 17.7% in June 2020
 - December 2020 was 7.4%
- CARES Act introduced \$2.2 trillion of coronavirus stimulus nationwide
- ARPA Act (3/2021) adds \$350 billion in emergency relief to governments
- 2 rounds of PPP and 3 rounds of individual taxpayer stimulus checks
- U.S. equities markets rebounded remarkably in 2nd half of 2020
- Energy prices on the rise

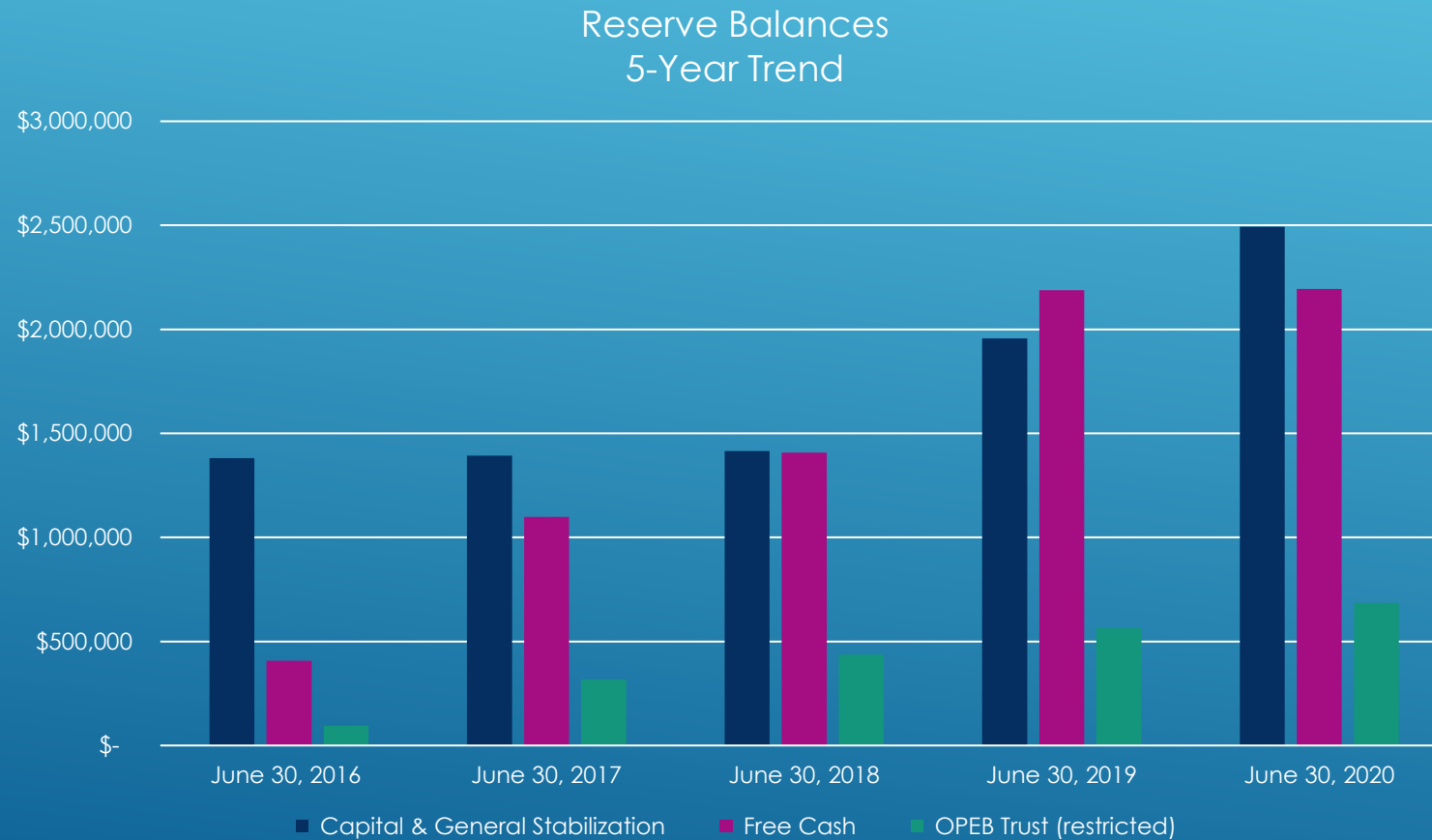
CURRENT **MICRO** ECONOMIC TRENDS

- State aid for 2021 was relatively consistent with the prior year
 - Impact on FY 2022 state aid is unknown
 - Town received \$706K in CARES funding
 - MMA estimates Town will be eligible for up to \$2.4 million in ARPA funding
 - Town implemented a number of cost savings after COVID declaration
 - Unknown as to how health insurance rates will trend
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SUMMARY FINANCIAL CONDITION

- Entered FY 2021 with the following reserves:
 - \$2.1 million in free cash
 - \$2.5 million in stabilization funds (\$205K restricted to capital)
 - \$260K appropriated for the FY 21 budget at ATM
 - \$685K in OPEB trust (restricted)
- Debt burden is very manageable
 - Future debt service reduced through a FY 21 refunding
- Reserve ratio of 22% at 6/30/20 versus 20% at 6/30/19
- S&P rated long-term debt AA+/stable recently (2nd highest rating)

SUMMARY FINANCIAL CONDITION (CONTINUED)



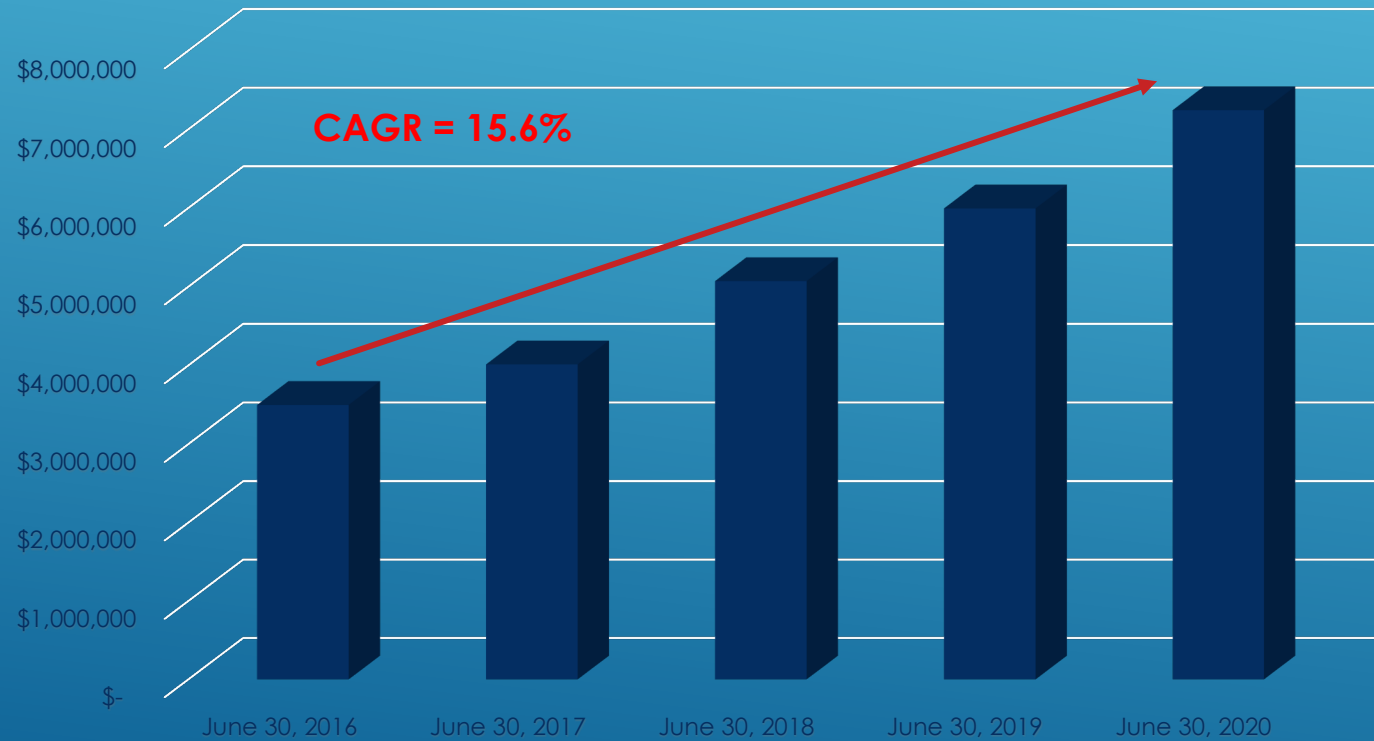
SUMMARY FINANCIAL CONDITION (CONTINUED)

- Town approved Financial Reserve Policy in July 2020
- June 30, 2020 reserve ratios based on FY 21 budget were as follows:


<u>Reserve Type</u>	<u>June 30, 2020 Balance</u>	<u>Policy Range</u>	<u>Reserve Ratio Based on Prelim. FY 21 Budget</u>
Free Cash	\$ 2,130,536	4% to 6%	8.7%
General Stabilization	2,288,882	10%	9.4%
Capital Stabilization	204,748	n/a	0.8%
Overlay Surplus	498,336	n/a	2.0%

SUMMARY FINANCIAL CONDITION (CONTINUED)

Total Fund Balances
General Fund - GAAP Basis
5-Year Trend



MANAGEMENT LETTER

- Current management letter offers a number of informational items:
 - New lease accounting standard
 - Network security
 - Increased frequency of phishing scams
 - Waste, fraud and abuse
 - Transition in Treasurer/Collector Office
 - Previously elected, now appointed
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FINANCE DEPARTMENT REORGANIZATION

- Established a Finance Director
 - More easily completed FY 2021 refunding
 - Process improvements in the following areas:
 - Tax title
 - Cash management and reconciliations
 - Staff communication and common direction
 - Cross training starting