

TOWN OF EASTON, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Easton, Massachusetts

Additional Offices:

Nashua, NH
Manchester, NH
Greenfield, MA
Ellsworth, ME

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 Easton, Massachusetts, as of and for the year ended June 30, 2014, 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

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion

on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Easton, Massachusetts, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund 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 Management's Discussion and Analysis and Schedule of Funding Progress 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 evidence sufficient 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 June 10, 2015 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, 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 report-

ing and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Melanson Heath

June 10, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Easton, we offer readers this narrative overview and analysis of the financial activities of the Town of Easton for the fiscal year ended June 30, 2014. Unless otherwise noted, the amounts reported in Management's Discussion and Analysis are reported in thousands.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The Statement of Net Provision presents information on all assets and liabilities, with the difference between the two reported as net provision. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, public works, education, health and human services, culture and recreation, interest on debt, and intergovernmental assessments. The business-type activities include water, sewer, and trash enterprise fund activities.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary 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 available at the end of the fiscal year. Such information may be useful in evaluating a Town'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.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. Proprietary funds are maintained as follows:

The Enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for water, sewer, and trash operations.

The Proprietary fund provides the same type of information as the business-type activities reported in the government-wide financial statements.

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.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total assets for governmental activities exceeded liabilities by \$61,627 (i.e., net position), a change of \$(4,746) in comparison to the prior year.
- As of the close of the current fiscal year, total assets for business-type activities exceeded liabilities by \$36,701 (i.e., net position), a change of \$1,349 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$13,374, a change of \$(255) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,490, a change of \$(208) in comparison to the prior year.
- Total bonds payable at the close of the current fiscal year was \$40,170, a change of \$(3,239) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 28,272	\$ 27,225	\$ 4,542	\$ 5,025	\$ 32,814	\$ 32,250
Capital assets	112,140	112,932	39,787	38,195	151,927	151,127
Total assets	140,412	140,157	44,329	43,220	184,741	183,377
Long-term liabilities	71,272	68,570	7,101	7,630	78,373	76,200
Notes payable	4,328	1,454	470	35	4,798	1,489
Other liabilities	3,185	3,760	57	203	3,242	3,963
Total liabilities	78,785	73,784	7,628	7,868	86,413	81,652
Net position:						
Net investment in capital assets	75,946	75,314	33,237	33,833	109,183	109,147
Restricted	10,330	7,628	-	-	10,330	7,628
Unrestricted	(24,649)	(16,569)	3,464	1,519	(21,185)	(15,050)
Total net position	\$ 61,627	\$ 66,373	\$ 36,701	\$ 35,352	\$ 98,328	\$ 101,725

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 3,732	\$ 3,051	\$ 5,717	\$ 5,245	\$ 9,449	\$ 8,296
Operating grants and contributions	19,270	18,514	-	-	19,270	18,514
Capital grants and contributions	3,128	1,936	7	2	3,135	1,938
General revenues:						
Property taxes	47,999	47,331	-	-	47,999	47,331
Excises	3,230	3,035	-	-	3,230	3,035
Penalties and interest and other taxes	537	478	-	-	537	478
Grants and contributions not restricted to specific programs	2,595	2,248	-	-	2,595	2,248
Investment income	179	(7)	23	(1)	202	(8)
Other	3,312	3,279	-	-	3,312	3,279
Total revenues	<u>83,982</u>	<u>79,865</u>	<u>5,747</u>	<u>5,246</u>	<u>89,729</u>	<u>85,111</u>
Expenses:						
General government	15,385	14,819	-	-	15,385	14,819
Public safety	10,001	9,753	-	-	10,001	9,753
Education	53,454	51,969	-	-	53,454	51,969
Public works	6,410	6,809	-	-	6,410	6,809
Health and human services	906	850	-	-	906	850
Culture and recreation	798	797	-	-	798	797
Interest and costs	1,441	1,417	-	-	1,441	1,417
Intergovernmental	763	664	-	-	763	664
Water services	-	-	2,656	2,554	2,656	2,554
Sewer services	-	-	375	-	375	-
Trash services	-	-	937	837	937	837
Total expenses	<u>89,158</u>	<u>87,078</u>	<u>3,968</u>	<u>3,391</u>	<u>93,126</u>	<u>90,469</u>
Change in net position before transfers and loss	(5,176)	(7,213)	1,779	1,855	(3,397)	(5,358)
Transfers in (out)	<u>430</u>	<u>548</u>	<u>(430)</u>	<u>(548)</u>	<u>-</u>	<u>-</u>
Change in net position	(4,746)	(6,665)	1,349	1,307	(3,397)	(5,358)
Net position - beginning of year, as reclassified	<u>66,373</u>	<u>73,038</u>	<u>35,352</u>	<u>34,045</u>	<u>101,725</u>	<u>107,083</u>
Net position - end of year	<u>\$ 61,627</u>	<u>\$ 66,373</u>	<u>\$ 36,701</u>	<u>\$ 35,352</u>	<u>\$ 98,328</u>	<u>\$ 101,725</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$98,328, a change of \$(3,397) from the prior year.

The largest portion of net position \$109,183 reflects our investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt

used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$10,330 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is \$(21,185).

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(4,746). Key elements of this change are as follows (in thousands):

Net OPEB obligation increase	\$ (5,412)
Other	<u>666</u>
Total	<u>\$ (4,746)</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$1,349. The key element of this increase was due to sewer operations beginning in fiscal year 2014.

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$13,374, a change of \$(255) in comparison to the prior year. Key elements of this change are as follows:

General fund excess of expenditures over revenues	\$ (1,556)
Enterprise fund transfer (indirect costs)	548
Community Preservation fund excess of revenues over expenditures	983
Other	<u>(230)</u>
Total	<u>\$ (255)</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,490, while total fund balance was \$5,917. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/14</u>	<u>6/30/13</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 3,490	\$ 3,698	\$ (208)	4.6%
Total fund balance	\$ 5,917	\$ 6,446	\$ (529)	7.9%

The total fund balance of the general fund changed by \$(529) during the current fiscal year. Key factors in this change are as follows:

Use of free cash and overlay surplus as a funding source	\$ (2,031)
Stabilization funding, net	272
Revenues in excess of budget	1,026
Expenditures more than budget	(113)
Other	<u>317</u>
Total	<u>\$ (529)</u>

Included in the total general fund balance are the Town's stabilization accounts with the following balances:

	<u>6/30/14</u>	<u>6/30/13</u>	<u>Change</u>
General stabilization	\$ 1,649	\$ 1,382	\$ 267
Capital stabilization	<u>416</u>	<u>411</u>	<u>5</u>
Total	<u>\$ 2,065</u>	<u>\$ 1,793</u>	<u>\$ 272</u>

Proprietary funds. Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$3,464,189, a change of \$277 over the prior year. Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$862,168. Major reasons for these amendments include (in thousands):

- \$250 transfer to Stabilization funded by free cash.
- \$430 increase to various departmental budgets, funded by free cash and taxation
- \$182 miscellaneous increases funded by free cash and other available sources

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$151,927 (net of accumulated depreciation), a change of \$800 from the prior year. This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, and infrastructure.

Major capital asset events during the current fiscal year included the following (in thousands):

- Waste Water infrastructure improvements of approximately \$1,300.
- Highway infrastructure improvements of approximately \$1,128.
- Purchase of DPW, Police, and Special Education vehicles and equipment of approximately \$623.
- Construction and repair of the EMS Roof of \$2,108
- Various improvements for buildings and infrastructure upgrades of \$1,039.
- Various Water infrastructure improvements of approximately \$1,329.

Change in credit rating. During the fiscal year, the Moody's credit rating improved from A2 in the previous year to Aa3 in the current year.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$40,170, all of which was backed by the full faith and credit of the government.

Additional information on capital assets and long-term debt can be found in the Notes to the Financial Statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Easton's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Town Accountant
Town of Easton, Massachusetts
136 Elm Street
North Easton, Massachusetts 02356

TOWN OF EASTON, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2014

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 13,522,193	\$ 661,757	\$ 14,183,950
Investments	5,899,702	924,305	6,824,007
Receivables, net of allowance for uncollectibles:			
Property taxes	1,287,113	-	1,287,113
Excise	232,622	-	232,622
Charges for service	-	2,413,859	2,413,859
Betterments	848,287	36,575	884,862
Departmental and other	1,187,024	-	1,187,024
Intergovernmental	1,566,788	705,027	2,271,815
Inventories	-	72,473	72,473
Internal balances	271,646	(271,646)	-
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	504,467	-	504,467
Intergovernmental	2,951,936	-	2,951,936
Capital assets, not being depreciated	15,985,057	3,085,138	19,070,195
Capital assets, being depreciated net of accumulated depreciation	<u>96,154,840</u>	<u>36,701,441</u>	<u>132,856,281</u>
TOTAL ASSETS	140,411,675	44,328,929	184,740,604
LIABILITIES			
Current:			
Warrants payable	1,423,121	-	1,423,121
Accrued liabilities	1,464,447	57,412	1,521,859
Deposits held in custody	38,794	-	38,794
Notes payable	4,328,264	470,000	4,798,264
Other current liabilities	258,060	-	258,060
Current portion of long-term liabilities:			
Bonds payable	3,747,653	545,733	4,293,386
Accrued employee benefits	32,898	5,840	38,738
Estimated landfill closure and postclosure liability	50,000	-	50,000
Noncurrent:			
Bonds payable	30,064,856	5,811,857	35,876,713
Accrued employee benefits	625,068	110,968	736,036
Estimated landfill closure and postclosure liability	850,000	-	850,000
Net OPEB obligation	<u>35,901,256</u>	<u>626,284</u>	<u>36,527,540</u>
TOTAL LIABILITIES	78,784,417	7,628,094	86,412,511
NET POSITION			
Net investment in capital assets	75,946,366	33,236,646	109,183,012
Restricted for:			
Grants and other statutory restrictions	10,258,068	-	10,258,068
Permanent funds:			
Nonexpendable	46,031	-	46,031
Expendable	25,605	-	25,605
Unrestricted	<u>(24,648,812)</u>	<u>3,464,189</u>	<u>(21,184,623)</u>
TOTAL NET POSITION	\$ <u>61,627,258</u>	\$ <u>36,700,835</u>	\$ <u>98,328,093</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF EASTON, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General government	\$ 15,384,877	\$ 218,106	\$ 83,098	\$ -	\$ (15,083,673)	\$ -	\$ (15,083,673)
Public safety	10,001,031	2,446,586	77,583	-	(7,476,862)	-	(7,476,862)
Education	53,453,622	752,974	18,609,490	914,553	(33,176,605)	-	(33,176,605)
Public works	6,410,316	25	252,352	2,213,164	(3,944,775)	-	(3,944,775)
Health and human services	906,006	156,223	216,850	-	(532,933)	-	(532,933)
Culture and recreation	797,915	158,258	30,676	-	(608,981)	-	(608,981)
Interest	1,440,806	-	-	-	(1,440,806)	-	(1,440,806)
Intergovernmental	762,966	-	-	-	(762,966)	-	(762,966)
Total Governmental Activities	89,157,539	3,732,172	19,270,049	3,127,717	(63,027,601)	-	(63,027,601)
Business-Type Activity:							
Water services	2,655,578	2,904,014	-	7,098	-	255,534	255,534
Sewer services	374,890	1,785,175	-	-	-	1,410,285	1,410,285
Non-major trash services	937,241	1,026,957	-	-	-	89,716	89,716
Total Business-Type Activities	3,967,709	5,716,146	-	7,098	-	1,755,535	1,755,535
Total Primary Government	\$ <u>93,125,248</u>	\$ <u>9,448,318</u>	\$ <u>19,270,049</u>	\$ <u>3,134,815</u>	(63,027,601)	1,755,535	(61,272,066)
General Revenues and Transfers:							
Property taxes					47,999,338	-	47,999,338
Excises					3,229,643	-	3,229,643
Penalties, interest and other taxes					537,207	-	537,207
Grants and contributions not restricted to specific programs					2,595,050	-	2,595,050
Investment income					178,502	23,193	201,695
Miscellaneous					3,312,407	-	3,312,407
Transfers, net					429,955	(429,955)	-
Total general revenues and transfers					58,282,102	(406,762)	57,875,340
Change in Net Position					(4,745,499)	1,348,773	(3,396,726)
Net Position:							
Beginning of year, as reclassified					66,372,757	35,352,062	101,724,819
End of year					\$ <u>61,627,258</u>	\$ <u>36,700,835</u>	\$ <u>98,328,093</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF EASTON, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2014

	<u>General</u>	<u>Community Preservation Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and short-term investments	\$ 5,401,397	\$ 2,540,047	\$ 5,580,749	\$ 13,522,193
Investments	2,645,235	3,254,467	-	5,899,702
Receivables:				
Property taxes	1,969,787	-	-	1,969,787
Excises	451,333	-	-	451,333
Betterments	-	-	848,287	848,287
Departmental	1,611,707	4,780	54,118	1,670,605
Intergovernmental	45,361	-	537,448	582,809
Due from other funds	271,646	-	-	271,646
TOTAL ASSETS	<u>\$ 12,396,466</u>	<u>\$ 5,799,294</u>	<u>\$ 7,020,602</u>	<u>\$ 25,216,362</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
LIABILITIES				
Warrants payable	\$ 1,423,121	\$ -	\$ -	\$ 1,423,121
Accrued liabilities	959,606	-	-	959,606
Deposits held in custody	-	-	38,794	38,794
Notes payable	-	-	4,328,264	4,328,264
Other liabilities	258,061	-	-	258,061
TOTAL LIABILITIES	2,640,788	-	4,367,058	7,007,846
DEFERRED INFLOWS OF RESOURCES	3,839,114	4,780	991,115	4,835,009
FUND BALANCES				
Nonspendable	-	-	46,031	46,031
Restricted	-	5,794,514	4,489,983	10,284,497
Committed	1,021,452	-	-	1,021,452
Assigned	1,404,638	-	-	1,404,638
Unassigned	3,490,474	-	(2,873,585)	616,889
TOTAL FUND BALANCES	<u>5,916,564</u>	<u>5,794,514</u>	<u>1,662,429</u>	<u>13,373,507</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 12,396,466</u>	<u>\$ 5,799,294</u>	<u>\$ 7,020,602</u>	<u>\$ 25,216,362</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF EASTON, MASSACHUSETTS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION

JUNE 30, 2014

Total governmental fund balances	\$ 13,373,507
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	112,139,897
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	3,954,510
• MSBA reimbursements for contracted assistance and progress payment projects, are not receivable in the current period and, therefore, are not reported in the governmental funds.	3,935,916
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(504,841)
• Long-term liabilities, including bonds payable and net OPEB obligation, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(71,271,731)</u>
Net position of governmental activities	<u><u>\$ 61,627,258</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF EASTON, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Community Preservation Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 46,850,568	\$ 997,783	\$ 27,349	\$ 47,875,700
Excises	3,231,966	-	-	3,231,966
Departmental	1,235,910	-	1,536,192	2,772,102
Licenses and permits	1,059,966	-	-	1,059,966
Fines and forfeitures	460,018	3,890	-	463,908
Intergovernmental	20,023,579	600,190	5,307,763	25,931,532
Investment income	58,830	83,807	102,164	244,801
Other	<u>757,289</u>	<u>255</u>	<u>2,554,865</u>	<u>3,312,409</u>
Total Revenues	73,678,126	1,685,925	9,528,333	84,892,384
Expenditures:				
Current:				
General government	13,473,247	67,224	631,691	14,172,162
Public safety	8,349,914	-	600,699	8,950,613
Education	43,124,469	-	5,725,991	48,850,460
Public works	3,065,729	-	3,475,985	6,541,714
Human services	799,478	-	13,106	812,584
Culture and recreation	493,859	-	238,214	732,073
Debt service	4,796,503	271,561	-	5,068,064
Intergovernmental	762,966	-	-	762,966
Capital outlay	<u>367,556</u>	<u>363,812</u>	<u>-</u>	<u>731,368</u>
Total Expenditures	<u>75,233,721</u>	<u>702,597</u>	<u>10,685,686</u>	<u>86,622,004</u>
Excess (deficiency) of revenues over expenditures	(1,555,595)	983,328	(1,157,353)	(1,729,620)
Other Financing Sources (Uses):				
Issuance of debt	-	500,000	545,000	1,045,000
Transfers in	1,144,149	500,000	160,000	1,804,149
Transfers out	<u>(117,798)</u>	<u>(160,000)</u>	<u>(1,096,396)</u>	<u>(1,374,194)</u>
Total Other Financing Sources (Uses)	<u>1,026,351</u>	<u>840,000</u>	<u>(391,396)</u>	<u>1,474,955</u>
Change in fund balance	(529,244)	1,823,328	(1,548,749)	(254,665)
Fund Balance, at Beginning of Year, as reclassified	<u>6,445,808</u>	<u>3,971,186</u>	<u>3,211,178</u>	<u>13,628,172</u>
Fund Balance, at End of Year	<u>\$ 5,916,564</u>	<u>\$ 5,794,514</u>	<u>\$ 1,662,429</u>	<u>\$ 13,373,507</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF EASTON, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2014

Net changes in fund balances - Total governmental funds	\$ (254,665)																				
<ul style="list-style-type: none"> • 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: <table border="0" style="margin-left: 40px;"> <tr> <td>Capital outlay asset acquisitions</td> <td style="text-align: right;">4,869,670</td> </tr> <tr> <td>Depreciation expense</td> <td style="text-align: right;">(5,661,767)</td> </tr> </table> • 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 deferred revenue. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">21,419</td> </tr> </table> • Some revenues reported in the Statement of Activities, such as MSBA reimbursements for contracted assistance, do not provide current financial resources and therefore, are not reported as revenues in the governmental funds. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(983,980)</td> </tr> </table> • 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: <table border="0" style="margin-left: 40px;"> <tr> <td>Issuance of debt, net of refunding</td> <td style="text-align: right;">(1,045,000)</td> </tr> <tr> <td>Repayments of debt</td> <td style="text-align: right;">3,661,687</td> </tr> </table> • In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(34,429)</td> </tr> </table> • 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. <table border="0" style="margin-left: 40px;"> <tr> <td>Increase in Net OPEB obligation</td> <td style="text-align: right;">(5,411,966)</td> </tr> <tr> <td>Decrease in compensated absence liability</td> <td style="text-align: right;">43,532</td> </tr> <tr> <td>Decrease in landfill liability</td> <td style="text-align: right;"><u>50,000</u></td> </tr> </table> 		Capital outlay asset acquisitions	4,869,670	Depreciation expense	(5,661,767)		21,419		(983,980)	Issuance of debt, net of refunding	(1,045,000)	Repayments of debt	3,661,687		(34,429)	Increase in Net OPEB obligation	(5,411,966)	Decrease in compensated absence liability	43,532	Decrease in landfill liability	<u>50,000</u>
Capital outlay asset acquisitions	4,869,670																				
Depreciation expense	(5,661,767)																				
	21,419																				
	(983,980)																				
Issuance of debt, net of refunding	(1,045,000)																				
Repayments of debt	3,661,687																				
	(34,429)																				
Increase in Net OPEB obligation	(5,411,966)																				
Decrease in compensated absence liability	43,532																				
Decrease in landfill liability	<u>50,000</u>																				
Change in net position of governmental activities	\$ <u>(4,745,499)</u>																				

The accompanying notes are an integral part of these financial statements.

TOWN OF EASTON, MASSACHUSETTS

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES
- BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues and Transfers In:				
Property taxes	\$ 46,702,261	\$ 46,702,928	\$ 46,702,928	\$ -
Motor vehicle excise	2,825,000	2,900,000	3,231,966	331,966
Licenses, permits and fees	1,750,000	1,760,000	2,295,875	535,875
Fines and forfeitures	285,000	350,000	460,018	110,018
Intergovernmental	12,669,586	12,671,469	12,751,419	79,950
Investment income	25,000	19,000	24,970	5,970
Other revenue	757,731	795,731	757,289	(38,442)
Transfers in	1,044,425	1,143,462	1,144,149	687
Total Revenues and Other Sources	66,059,003	66,342,590	67,368,614	1,026,024
Expenditures and Transfers Out:				
General government	13,738,435	13,564,031	13,420,113	143,918
Public safety	8,017,153	8,168,957	8,135,823	33,134
Education	35,450,273	35,840,600	35,837,489	3,111
Public works	2,426,206	2,501,339	2,497,791	3,548
Snow and ice removal	188,700	226,700	626,609	(399,909)
Health and human services	771,701	805,701	799,774	5,927
Culture and recreation	497,320	497,320	497,320	-
Capital outlay	494,892	582,200	582,190	10
Debt service	4,998,340	5,008,340	4,854,708	153,632
Intergovernmental	706,152	706,152	762,966	(56,814)
Transfers out	-	250,000	250,000	-
Total Expenditures and Other Uses	67,289,172	68,151,340	68,264,783	(113,443)
Excess of revenues and transfers in over expenditures and transfers out	(1,230,169)	(1,808,750)	(896,169)	912,581
Other Financing Sources/(Uses):				
Use of free cash				
For operating budget	1,100,000	1,428,581	-	(1,428,581)
For capital budget	253,200	253,200	-	(253,200)
For stabilization funding		250,000	-	(250,000)
Use of other sources				
For capital budget	99,469	99,469	-	(99,469)
Raise prior year deficits	(222,500)	(222,500)	-	222,500
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ (896,169)	\$ (896,169)

The accompanying notes are an integral part of these financial statements.

TOWN OF EASTON, MASSACHUSETTS

PROPRIETARY FUND

STATEMENT OF NET POSITION

JUNE 30, 2014

	Business-Type Activities Enterprise Fund			<u>Total</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Nonmajor Fund</u>	
ASSETS				
Current:				
Cash and short-term investments	\$ 448,564	\$ -	\$ 213,193	\$ 661,757
Investments	924,305	-	-	924,305
Receivables:				
Charges for service, net of allowance for uncollectibles	919,642	1,437,219	56,998	2,413,859
Betterments	-	36,575	-	36,575
Intergovernmental	-	705,027	-	705,027
Inventory	<u>72,473</u>	<u>-</u>	<u>-</u>	<u>72,473</u>
Total current assets	2,364,984	2,178,821	270,191	4,813,996
Noncurrent:				
Capital assets, not being depreciated	3,085,138	-	-	3,085,138
Capital assets being depreciated, net of accumulated depreciation	<u>30,916,940</u>	<u>5,784,501</u>	<u>-</u>	<u>36,701,441</u>
Total noncurrent assets	<u>34,002,078</u>	<u>5,784,501</u>	<u>-</u>	<u>39,786,579</u>
TOTAL ASSETS	36,367,062	7,963,322	270,191	44,600,575
LIABILITIES				
Current:				
Accrued liabilities	34,902	22,510	-	57,412
Notes payable	450,000	20,000	-	470,000
Due to other funds	-	271,646	-	271,646
Current portion of long-term liabilities:				
Bonds payable	405,000	110,733	30,000	545,733
Accrued employee benefits	<u>5,840</u>	<u>-</u>	<u>-</u>	<u>5,840</u>
Total current liabilities	895,742	424,889	30,000	1,350,631
Noncurrent:				
Bonds payable	1,445,000	4,341,857	25,000	5,811,857
Accrued employee benefits	110,968	-	-	110,968
Net OPEB obligation	<u>626,284</u>	<u>-</u>	<u>-</u>	<u>626,284</u>
Total noncurrent liabilities	<u>2,182,252</u>	<u>4,341,857</u>	<u>25,000</u>	<u>6,549,109</u>
TOTAL LIABILITIES	3,077,994	4,766,746	55,000	7,899,740
NET POSITION				
Net investment in capital assets	31,904,735	1,331,911	-	33,236,646
Unrestricted	<u>1,384,333</u>	<u>1,864,665</u>	<u>215,191</u>	<u>3,464,189</u>
TOTAL NET POSITION	<u>\$ 33,289,068</u>	<u>\$ 3,196,576</u>	<u>\$ 215,191</u>	<u>\$ 36,700,835</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF EASTON, MASSACHUSETTS

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities Enterprise Fund			Total
	Water Fund	Sewer Fund	Nonmajor Fund	
Operating Revenues:				
Charges for services	\$ 2,854,974	\$ 1,785,175	\$ 1,016,017	\$ 5,656,166
Other	49,040	-	10,940	59,980
Total Operating Revenues	2,904,014	1,785,175	1,026,957	5,716,146
Operating Expenses:				
Personnel services	1,050,671	-	15,000	1,065,671
Non-personnel services	-	143,993	-	143,993
Purchase of services	627,034	-	920,203	1,547,237
Depreciation	918,165	148,321	-	1,066,486
Total Operating Expenses	2,595,870	292,314	935,203	3,823,387
Operating Income	308,144	1,492,861	91,754	1,892,759
Nonoperating Revenues (Expenses):				
Investment income	23,168	25	-	23,193
Interest expense	(59,708)	(82,576)	(2,038)	(144,322)
Total Nonoperating Revenues (Expenses), Net	(36,540)	(82,551)	(2,038)	(121,129)
Income Before Contributions and Transfers	271,604	1,410,310	89,716	1,771,630
Transfers In	-	117,798	-	117,798
Transfers out	(547,753)	-	-	(547,753)
Capital contributions	7,098	-	-	7,098
Change in Net Position	(269,051)	1,528,108	89,716	1,348,773
Net Position at Beginning of Year, as reclassified	33,558,119	1,668,468	125,475	35,352,062
Net Position at End of Year	\$ 33,289,068	\$ 3,196,576	\$ 215,191	\$ 36,700,835

The accompanying notes are an integral part of these financial statements.

TOWN OF EASTON, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities Enterprise Funds			
	Water Fund	Sewer Fund	Nonmajor Fund	Total
<u>Cash Flows From Operating Activities:</u>				
Receipts from customers and users	\$ 2,902,765	\$ 2,489,686	\$ 1,019,592	\$ 6,412,043
Payments to vendors and employees	<u>(1,564,328)</u>	<u>(1,024,339)</u>	<u>(935,203)</u>	<u>(3,523,870)</u>
Net Cash Provided By Operating Activities	1,338,437	1,465,347	84,389	2,888,173
<u>Cash Flows From Noncapital Financing Activities:</u>				
Transfers in	-	117,798	-	117,798
Transfers out	<u>(547,753)</u>	<u>-</u>	<u>-</u>	<u>(547,753)</u>
Net Cash (Used For) Noncapital Financing Activities	(547,753)	117,798	-	(429,955)
<u>Cash Flows From Capital and Related Financing Activities:</u>				
Acquisition and construction of capital assets	(1,360,410)	(1,297,889)	-	(2,658,299)
Proceeds from issuance of bonds and notes	450,000	20,000	-	470,000
Principal payments on bonds and notes	(405,700)	(222,705)	(30,000)	(658,405)
Capital contributions	7,098	-	-	7,098
Interest expense	<u>(66,453)</u>	<u>(82,576)</u>	<u>(2,038)</u>	<u>(151,067)</u>
Net Cash Used For Capital and Related Financing Activities	(1,375,465)	(1,583,170)	(32,038)	(2,990,673)
<u>Cash Flows From Investing Activities:</u>				
Change in investments	(58,232)	-	-	(58,232)
Investment income	<u>23,168</u>	<u>25</u>	<u>-</u>	<u>23,193</u>
Net Cash Provided By Investing Activities	(35,064)	25	-	(35,039)
Net Change in Cash and Short-Term Investments	(619,845)		52,351	(567,494)
Cash and Short-Term Investments, Beginning of Year	<u>1,068,409</u>	<u>-</u>	<u>160,842</u>	<u>1,229,251</u>
Cash and Short-Term Investments, End of Year	<u>\$ 448,564</u>	<u>\$ -</u>	<u>\$ 213,193</u>	<u>\$ 661,757</u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>				
Operating income	\$ 308,144	\$ 1,492,861	\$ 91,754	\$ 1,892,759
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation	918,165	148,321	-	1,066,486
Changes in assets and liabilities:				
Receivables	(1,249)	(1,473,794)	(7,365)	(1,482,408)
Intergovernmental A/R	-	2,339,008	-	2,339,008
Inventory	20,191	-	-	20,191
Retainage payable	-	(160,704)	-	(160,704)
Due to other funds	-	(902,855)	-	(902,855)
Accrued liabilities	2,151	22,510	-	24,661
Other post employment benefits	<u>91,035</u>	<u>-</u>	<u>-</u>	<u>91,035</u>
Net Cash Provided By Operating Activities	<u>\$ 1,338,437</u>	<u>\$ 1,465,347</u>	<u>\$ 84,389</u>	<u>\$ 2,888,173</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF EASTON, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2014

	<u>OPEB</u> <u>Trust Fund</u>	<u>Private</u> <u>Purpose</u> <u>Trust Funds</u>	<u>Agency</u> <u>Funds</u>
<u>ASSETS</u>			
Cash and short-term investments	\$ -	\$ 144,776	\$ 745,602
Investments	<u>51,036</u>	<u>527,649</u>	<u>-</u>
Total Assets	51,036	672,425	745,602
 <u>LIABILITIES AND NET POSITION</u>			
Other liabilities	<u>-</u>	<u>-</u>	<u>745,602</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>745,602</u>
 <u>NET POSITION</u>			
Total net position held in trust	\$ <u><u>51,036</u></u>	\$ <u><u>672,425</u></u>	\$ <u><u>-</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF EASTON, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>OPEB Trust Fund</u>	<u>Private Purpose Trust Funds</u>
Additions:		
Investment income	\$ 1,262	\$ 49,157
Contributions	<u>-</u>	<u>43,334</u>
Total additions	1,262	92,491
Deductions:		
Other	<u>-</u>	<u>49,538</u>
Total deductions	<u>-</u>	<u>49,538</u>
Net increase	1,262	42,953
Net position:		
Beginning of year	<u>49,774</u>	<u>629,472</u>
End of year	<u>\$ 51,036</u>	<u>\$ 672,425</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF EASTON, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Easton (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The government is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2014, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

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 nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual

governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. 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 is the proprietary fund and 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. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Community Preservation Fund* - This fund accounts for activity associated with the Commonwealth's Community Preservation Act.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The government reports the following major proprietary funds:

- Water Enterprise Fund
- Sewer Enterprise Fund

The OPEB trust fund accounts for the activities of the Town's other post-employment benefits trust, which accumulates resources for other post-employment benefits provided to eligible retirees.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

The *agency funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others.

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

F. Property Tax Limitations

Legislation known as "Proposition 2½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override is voted. The actual fiscal year 2014 tax levy reflected an excess capacity of \$3,789.

G. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. No significant inventory balances were on hand in governmental funds.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for enterprise funds only), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$15,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	50
Vehicles	3 - 5
Office equipment	3 - 10
Computer equipment	3 - 5
Furnishings	5

I. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements; otherwise, the liability is appropriately reported in the government-wide statements.

J. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

K. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The Town's fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent (i.e., perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., Town Meeting).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance (free cash) voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned and unassigned.

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

L. Use of Estimates

The preparation of basic 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 disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. **Stewardship, Compliance, and Accountability**

A. Budgetary Information

At the annual town meeting, the Town Administrator presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the General Fund and Proprietary Funds. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

B. Budgetary Basis

The budgetary data for the general is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 73,678,126	\$ 75,233,721
Other financing sources/uses (GAAP basis)	<u>1,144,149</u>	<u>117,798</u>
Subtotal (GAAP Basis)	74,822,275	75,351,519
To adjust property tax revenues to the budgetary basis	(310,321)	-
To reverse expenditures of prior year appropriation carryforwards	-	(359,595)
To book current year appropriation carryforwards	-	315,853
To reverse GASB 24 MTRS	(7,272,160)	(7,272,160)
Other timing issues	151,399	(20,834)
Nonbudgeted items	<u>(22,579)</u>	<u>250,000</u>
Budgetary Basis	<u>\$ 67,368,614</u>	<u>\$ 68,264,783</u>

C. Deficit Fund Equity

The following funds had deficits as of June 30, 2014:

Non-Major Funds:	
Chapter 90 Highway	\$ (445,599)
Police Detail	(31,667)
Green Communities Grant	(18,150)
OCPC Grant	(1,401)
MWPAT Septic Loan Program	(844,474)
EMS Roof Repairs	(1,080,953)
Capital Budget Items	(369,871)
Moreau Hall Roof	<u>(81,470)</u>
Total Non-Major	<u>\$ (2,873,585)</u>

The deficits in these funds will be eliminated through future bond proceeds, departmental revenues, and transfers from other funds.

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. Massachusetts General Law Chapter 44, Section 55, limits the Town's deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The Town does not have a deposit policy for custodial credit risk.

As of June 30, 2014, \$1,493,217 of the Town's bank balance of \$15,744,796 was exposed to custodial credit risk as uninsured or uncollateralized. \$733,343 of the Town's uninsured and uncollateralized amount is on deposit with the Massachusetts Municipal Depository Trust.

4. Investments

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

Presented below (in thousands) is the actual rating as of year-end for each investment of the Town (All federal agency securities have an implied credit rating of AAA.):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year-end</u>	
			<u>Aaa</u>	<u>A+</u>
Certificates of deposits	\$ 2,363	\$ 2,363	\$ -	\$ -
Corporate bonds	994	-	-	994
Corporate equities	887	887	-	-
Mutual funds	959	959	-	-
U.S. Treasury bonds	981	-	981	-
Federal agency securities	<u>1,219</u>	<u>-</u>	<u>1,219</u>	<u>-</u>
Total investments	<u>\$ 7,403</u>	<u>\$ 4,209</u>	<u>\$ 2,200</u>	<u>\$ 994</u>

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a govern-

ment will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town does not have policies for custodial credit risk.

The Town's investments are subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and/or held by the town's brokerage firm, which is also the Counterparty to these securities. The Town manages this risk with SIPC and Excess SIPC coverage.

C. Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer. Investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent 5% or more of total investments are as follows:

<u>Investment Issuer</u>	<u>Amount</u>
Federal National Mortgage Association	\$ 387,725
Federal Home Loan Mtg. Corp	470,983
General Elec Cap Corp MTN	<u>485,746</u>
Total	\$ <u><u>1,344,454</u></u>

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>< 1</u>	<u>1-5</u>
Debt-related Securities:			
Certificates of deposits	\$ 2,363	\$ 911	\$ 1,452
Corporate bonds	994	-	994
U.S. Treasury bonds	981	-	981
Federal agency securities	<u>1,219</u>	<u>-</u>	<u>1,219</u>
Total	\$ <u><u>5,557</u></u>	\$ <u><u>911</u></u>	\$ <u><u>4,646</u></u>

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have policies for foreign currency risk.

5. Taxes Receivable

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on a quarterly basis and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to.

Fourteen days after the due date for the final tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The Town has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Taxes receivable at June 30, 2014 consist of the following (in thousands):

Real Estate		
2014	\$ 396	
2013	3	
Prior	<u>3</u>	
		402
Personal Property		
2014	17	
2013	11	
2012	5	
Prior	<u>20</u>	
		53
Tax Liens		1,491
Deferred Taxes		<u>24</u>
Total		<u>\$ 1,970</u>

6. Allowance for Doubtful Accounts

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts (in thousands):

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes	\$ 178	\$ -
Excises	219	-
Departmental (Ambulance)	484	-
Utilities	-	791

7. Intergovernmental Receivables

This balance represents Massachusetts School Building Authority grants as well as other various fiscal year grant funds. Future receipt of MSBA contract assistance payments are as follows:

2015	\$ 983,980
2016	983,980
2017	983,980
2018	<u>983,976</u>
Total	<u>\$ 3,935,916</u>

8. Interfund Fund Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the June 30, 2014 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 271,646	\$ -
Enterprise Funds:		
Sewer Funds	<u>-</u>	<u>271,646</u>
Total	<u>\$ 271,646</u>	<u>\$ 271,646</u>

9. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 118,387	\$ 2,108	\$ -	\$ 120,495
Machinery, equipment, and furnishings	8,129	594	(98)	8,625
Infrastructure	<u>36,377</u>	<u>1,128</u>	<u>-</u>	<u>37,505</u>
Total capital assets, being depreciated	162,893	3,830	(98)	166,625
Less accumulated depreciation for:				
Buildings and improvements	(36,416)	(3,883)	-	(40,299)
Machinery, equipment, and furnishings	(6,337)	(519)	98	(6,758)
Infrastructure	<u>(22,154)</u>	<u>(1,259)</u>	<u>-</u>	<u>(23,413)</u>
Total accumulated depreciation	<u>(64,907)</u>	<u>(5,661)</u>	<u>98</u>	<u>(70,470)</u>
Total capital assets, being depreciated, net	97,986	(1,831)	-	96,155
Capital assets, not being depreciated:				
Land	10,686	-	-	10,686
Intangible assets	4,000	-	-	4,000
Construction in progress	<u>260</u>	<u>1,039</u>	<u>-</u>	<u>1,299</u>
Total capital assets, not being depreciated	<u>14,946</u>	<u>1,039</u>	<u>-</u>	<u>15,985</u>
Governmental activities capital assets, net	<u>\$ 112,932</u>	<u>\$ (792)</u>	<u>\$ -</u>	<u>\$ 112,140</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 390	\$ -	\$ -	\$ 390
Machinery, equipment, and furnishings	2,007	31	-	2,038
Infrastructure	<u>43,555</u>	<u>7,262</u>	<u>-</u>	<u>50,817</u>
Total capital assets, being depreciated	45,952	7,293	-	53,245
Less accumulated depreciation for:				
Buildings and improvements	(287)	(10)	-	(297)
Machinery, equipment, and furnishings	(1,133)	(142)	-	(1,275)
Infrastructure	<u>(14,057)</u>	<u>(914)</u>	<u>-</u>	<u>(14,971)</u>
Total accumulated depreciation	<u>(15,477)</u>	<u>(1,066)</u>	<u>-</u>	<u>(16,543)</u>
Total capital assets, being depreciated, net	30,475	6,227	-	36,702
Capital assets, not being depreciated:				
Land	3,085	-	-	3,085
Construction in progress	<u>4,635</u>	<u>-</u>	<u>(4,635)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>7,720</u>	<u>-</u>	<u>(4,635)</u>	<u>3,085</u>
Business-type activities capital assets, net	<u>\$ 38,195</u>	<u>\$ 6,227</u>	<u>\$ (4,635)</u>	<u>\$ 39,787</u>

Depreciation expense was charged to functions of the Town as follows (in thousands):

Governmental Activities:	
General government	\$ 31
Public safety	463
Education	3,697
Public works	1,425
Culture and recreation	23
Health and human services	<u>22</u>
Total depreciation expense - governmental activities	<u>\$ 5,661</u>
Business-Type Activities:	
Water	\$ 918
Sewer	<u>148</u>
Total depreciation expense - business-type activities	<u>\$ 1,066</u>

10. Warrants Payable

Warrants payable represent 2014 expenditures paid by July 15, 2014.

11. Anticipation Notes Payable

The Town had the following notes outstanding at June 30, 2014.

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/14</u>
<u>Governmental Activities</u>				
MWPAT Loan - Septic	0.00%	06/06/12	upon completion	\$ 500,000
MWPAT Loan - Septic	0.00%	01/19/13	upon completion	348,264
Middle School Roof Replacement	1.00%	08/07/13	08/22/14	1,150,000
DPW Equipment	1.00%	08/07/13	08/22/14	415,000
DPW Main Street Revitalization	1.00%	08/07/13	08/22/14	980,000
DPW Municipal Facilities Asset Mgmt System	1.00%	08/07/13	08/22/14	100,000
School SPED Van	1.00%	08/07/13	08/22/14	35,000
Elementary School Roof	1.00%	04/04/14	08/22/14	<u>800,000</u>
Subtotal				4,328,264
<u>Business-Type Activities</u>				
Wastewater Treatment	1.00%	08/07/13	08/22/14	20,000
Water Main Replacement Program	1.00%	04/04/14	08/22/14	250,000
Water	1.00%	04/04/14	08/22/14	<u>200,000</u>
Subtotal				<u>470,000</u>
Grand Total				<u>\$ 4,798,264</u>

The following summarizes activity in notes payable during fiscal year 2014.

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
<u>Governmental Activities</u>				
MWPAT - Septic	\$ 373,574	\$ 126,426	\$ -	\$ 500,000
EMS roof project	100,000	-	(100,000)	-
Street reconstruction and equipment	480,000	-	(480,000)	-
Gov Ames Estate	500,000	-	(500,000)	-
MWPAT - Septic	-	348,264	-	348,264
Middle School Roof Replacement	-	1,150,000	-	1,150,000
DPW Equipment	-	415,000	-	415,000
DPW Main Street Revitalization	-	980,000	-	980,000
DPW Municipal Facilities Asset Mgmt System	-	100,000	-	100,000
School SPED Van	-	35,000	-	35,000
Elementary School Roof	-	800,000	-	800,000
Subtotal	1,453,574	3,954,690	(1,080,000)	4,328,264
<u>Business-Type Activities</u>				
Wastewater Treatment & Sewage	35,000	-	(35,000)	-
Wastewater Treatment	-	20,000	-	20,000
Water Main Replacement Program	-	250,000	-	250,000
Water	-	200,000	-	200,000
Subtotal	35,000	470,000	(35,000)	470,000
Grand Total	\$ 1,488,574	\$ 4,424,690	\$ (1,115,000)	\$ 4,798,264

12. Long-Term Debt

A. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds currently outstanding are as follows:

<u>Governmental Activities:</u>	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/14
Landfill closure - refunded	2017	2.00	\$ 245,000
MWPAT sewer loan	2020	-	45,564
Landfill closure - refunded	2023	2.00 - 3.00	1,110,000
School Planning - refunded	2023	2.00 - 3.00	850,000
MWPAT wastewater study	2023	3.00 - 5.00	22,161
Library refunded	2019	4.00 - 5.00	180,230
Landfill closure - refunded	2020	4.00 - 5.00	569,000
Foundry street - refunded	2020	4.00 - 5.00	90,650
Concom Ind - Lewis Farms refunded	2020	4.00 - 5.00	30,120

(continued)

(continued)

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/14</u>
School construction	2026	4.00 - 5.00	14,505,000
School construction - refunded	2018	4.00 - 5.00	5,120,000
Dean street land purchase	2026	4.00 - 5.00	1,025,000
Library addition	2020	2.00 - 5.00	230,000
Capital budget - DPW roof	2020	2.00 - 5.00	60,000
School electrical updates	2020	2.00 - 5.00	120,000
Capital budget - stadium	2024	2.00 - 5.00	905,000
School construction	2027	2.00 - 5.00	3,055,000
School phone system	2016	2.00 - 3.00	11,000
NE Village Wastewater system	2016	2.00 - 3.00	140,000
Long pond dam repairs	2016	2.00 - 3.00	30,000
Public safety radios	2016	2.00 - 3.00	23,000
Inspectional services vehicles	2016	2.00 - 3.00	4,000
DPW equipment/vehicles	2016	2.00 - 3.00	97,000
MWPAT	2033	2.00	289,784
Street Reconstruction	2027	2.00 - 3.00	780,000
Fire Station Roof	2033	2.00 - 3.00	165,000
Ground Water Planning	2017	2.00 - 3.00	80,000
MWPAT - Septic Loan Program	2033	-	190,000
Chestnut Street Land Acquisiton	2033	2.00 - 3.00	2,280,000
School construction	2018	2.00 - 3.00	180,000
Capital budget - Equipment	2022	2.00 - 3.00	335,000
Capital budget - Gov Ames/Middle School Roof/Equipment	2023	3.00 - 3.50	1,045,000
			<u>\$ 33,812,509</u>

<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/14</u>
Land - Freitas	2017	3.75 - 4.50	\$ 60,000
Town well	2016	4.00 - 5.00	160,000
Water meters	2015	4.00 - 5.00	60,000
Water tank painting	2016	4.00 - 5.00	70,000
Bay Road land acquisition	2026	4.00 - 5.00	355,000
Water main construction	2016	2.00 - 3.00	160,000
Water main construction	2018	2.00 - 3.00	80,000
Water main construction	2033	2.00 - 3.00	905,000
MWPAT	2033	2.00	4,452,590
Recycling carts	2016	2.00 - 3.00	55,000
			<u>\$ 6,357,590</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2014 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 3,747,653	\$ 1,253,235	\$ 5,000,888
2016	3,762,786	1,108,880	4,871,666
2017	3,648,063	953,208	4,601,271
2018	3,598,346	801,998	4,400,344
2019	2,333,636	681,457	3,015,093
2020 - 2024	11,149,999	2,093,861	13,243,860
2025 - 2029	4,865,818	328,220	5,194,038
2030 - 2034	706,208	36,128	742,336
Total	<u>\$ 33,812,509</u>	<u>\$ 7,256,987</u>	<u>\$ 41,069,496</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 545,733	\$ 152,150	\$ 697,883
2016	483,140	140,471	623,611
2017	265,598	129,163	394,761
2018	248,111	122,478	370,589
2019	190,678	116,688	307,366
2020 - 2024	993,889	509,908	1,503,797
2025 - 2029	971,968	388,368	1,360,336
2030 - 2034	944,017	281,961	1,225,978
2035 - 2039	903,645	173,685	1,077,330
2040 - 2043	810,811	52,349	863,160
Total	<u>\$ 6,357,590</u>	<u>\$ 2,067,221</u>	<u>\$ 8,424,811</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2014, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 7/1/13	Additions	Reductions	Total Balance 6/30/14	Less Current Portion	Equals Long-Term Portion 6/30/14
<u>Governmental Activities</u>						
General obligation debt	\$ 36,429	\$ 1,045	\$ (3,662)	\$ 33,812	\$ (3,748)	\$ 30,064
Accrued employee benefits	701	24	(67)	658	(33)	625
Landfill closure	950	-	(50)	900	(50)	850
Net OPEB obligation	<u>30,490</u>	<u>7,872</u>	<u>(2,460)</u>	<u>35,902</u>	<u>-</u>	<u>35,902</u>
Totals	<u>\$ 68,570</u>	<u>\$ 8,941</u>	<u>\$ (6,239)</u>	<u>\$ 71,272</u>	<u>\$ (3,831)</u>	<u>\$ 67,441</u>

	Total Balance <u>7/1/13</u>	Additions	Reductions	Total Balance <u>6/30/14</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/14</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 6,980	\$ -	\$ (622)	\$ 6,358	\$ (546)	\$ 5,812
Accrued employee benefits	114	3	-	117	(6)	111
Net OPEB obligation	<u>535</u>	<u>120</u>	<u>(29)</u>	<u>626</u>	<u>-</u>	<u>626</u>
Totals	<u>\$ 7,629</u>	<u>\$ 123</u>	<u>\$ (651)</u>	<u>\$ 7,101</u>	<u>\$ (552)</u>	<u>\$ 6,549</u>

13. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. In 2002, the Town authorized borrowing \$2,400,000 to fund the expected costs of re-capping and monitoring of the landfill.

The \$900,000 reported as landfill closure and postclosure care liability at June 30, 2014 represents what it would cost to perform all closure and post-closure care remaining on the closed landfill site in 2014. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

14. Deferred Inflows of Resources

The Town implemented GASB 65, *Items Previously Reported as Assets and Liabilities*. Deferred inflows of resources are the acquisition of net position by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

Governmental funds report *Deferred Inflows of Resources* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. As of June 30, 2014, the balance consisted of the following:

	<u>Fund Basis</u>		
	General <u>Fund</u>	Governmental Community Preservation <u>Fund</u>	<u>Nonmajor Funds</u>
Unavailable Revenues	\$ <u>3,839,114</u>	\$ <u>4,780</u>	\$ <u>991,115</u>

15. Governmental Funds - Balances

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The following types of fund balances are reported at June 30, 2014:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes general fund reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting, capital stabilization funds set aside by Town Meeting vote for future capital acquisitions and improvements (now reported as part of the general fund per GASB 54), and various special revenue funds.

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

Unassigned - Represents amounts that are available to be spent in future periods.

Following is a breakdown of the Town's fund balances at June 30, 2014:

	General Fund	Community Preservation Funds	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 46,031	\$ 46,031
Total Nonspendable	-	-	46,031	46,031
Restricted				
Bonded projects	-	-	826	826
Special revenue funds				
KFD Extended Day	-	-	263,926	263,926
Custodial Revolving	-	-	142,692	142,692
SPED Revolving	-	-	278,496	278,496
Athletic Revolving	-	-	131,530	131,530
Oliver Ames Trust - Highway	-	-	436,289	436,289
Oliver Ames Trust - School	-	-	373,600	373,600
SPED Circuit Breaker	-	-	585,957	585,957
Septic Loan Betterments	-	-	177,068	177,068
Other Special Revenues	-	-	896,633	896,633
Expendable permanent funds				
Conservation Trust	-	-	173,323	173,323
Affordable Housing Trust - CPA	-	-	827,890	827,890
Other Expendable Trusts	-	-	201,753	201,753
Community preservation funds	-	5,794,514	-	5,794,514
Total Restricted	-	5,794,514	4,489,983	10,284,497
Committed				
Nonlapsing capital appropriations	605,135	-	-	605,135
Capital stabilization funds	416,317	-	-	416,317
Total Committed	1,021,452	-	-	1,021,452
Assigned				
Encumbrances	193,230	-	-	193,230
For next year's expenditures	1,211,408	-	-	1,211,408
Total Assigned	1,404,638	-	-	1,404,638
Unassigned				
General Fund	1,841,150	-	-	1,841,150
General Stabilization	1,649,324	-	-	1,649,324
Deficits	-	-	(2,873,585)	(2,873,585)
Total Unassigned	3,490,474	-	(2,873,585)	616,889
Total Fund Balance	\$ 5,916,564	\$ 5,794,514	\$ 1,662,429	\$ 13,373,507

16. Interfund Fund Transfers

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund transfers must be utilized.

The government reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2014:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,144,149	\$ 117,798
Community Preservation Fund	500,000	160,000
Nonmajor Funds:		
Special Revenues Funds:		
Receipts Reserved	-	17,709
Other SRF	-	1,071,947
Trust Funds:		
Expendable	<u>160,000</u>	<u>6,740</u>
Subtotal Nonmajor Funds	160,000	1,096,396
 <u>Business-Type Funds:</u>	 <u>Transfers In</u>	 <u>Transfers Out</u>
Water Fund	-	547,753
Sewer Fund	<u>117,798</u>	<u>-</u>
Subtotal Business-Type Funds	<u>117,798</u>	<u>547,753</u>
Grand Total	<u>\$ 1,921,947</u>	<u>\$ 1,921,947</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs and accounted for in other funds in accordance with budgetary authorizations.

17. Restricted Net Position

The accompanying entity-wide financial statements report restricted net position when external constraints from grantors or contributors are placed on net position.

Permanent fund restricted net position is segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

18. Subsequent Events

Debt

Subsequent to June 30, 2014, the Town has incurred the following debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
MWPAT 98-1026-B Series Title V	\$ 500,000	0.00%	1/7/15	7/1/35
MWPAT 98-1026-C Series Title V	500,000	0.00%	1/7/15	7/1/35

19. Commitments and Contingencies

Abatements - There are several cases pending before the Appellate Tax Board in regard to alleged discrepancies in property assessments. According to Town Counsel, the probable outcome of these cases at the present time is indeterminate, although the Town expects such amounts, if any, to be immaterial.

Outstanding Legal Issues - There are several pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

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

20. Post-Employment Healthcare and Life Insurance Benefits

Other Post-Employment Benefits

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

A. Plan Description

In addition to providing the pension benefits described, the Town provides post-employment healthcare and life insurance benefits for retired employees through the Town's plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of June 30, 2013, the actuarial valuation date, approximately 482 retirees and 588 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Town provides medical, prescription drug, mental health/substance abuse and life insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

C. Funding Policy

Retirees contribute 25% - 50% of the cost of the health plan, as determined by the Town. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The Town's fiscal 2014 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2014, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of June 30, 2013.

Annual Required Contribution (ARC)	\$ 8,016,058
Interest on net OPEB obligation	1,318,543
Adjustment to ARC	<u>(1,342,527)</u>
Annual OPEB cost	7,992,074
Contributions made	<u>(2,489,073)</u>
Increase in net OPEB obligation	5,503,001
Net OPEB obligation - beginning of year	<u>31,024,539</u>
Net OPEB obligation - end of year	<u>\$ 36,527,540</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ 7,992,074	31%	\$ 36,527,540
2013	\$ 7,622,069	31%	\$ 31,024,539
2012	\$ 9,732,407	33%	\$ 25,779,699
2011	\$ 9,128,571	32%	\$ 19,271,329
2010	\$ 9,314,475	28%	\$ 13,059,016
2009	\$ 8,699,042	27%	\$ 6,349,210

The Town's net OPEB obligation as of June 30, 2014 is recorded as a component of the "other long-term liabilities" line item.

E. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2013, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 97,440,960
Actuarial value of plan assets	<u>(50,000)</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 97,390,960</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0.05%</u>
Covered payroll (active plan members)	<u>36,928,043</u>
UAAL as a percentage of covered payroll	<u>263.73%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the Notes to Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

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

In the June 30, 2013 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was determined to be \$50,000. The actuarial assumptions included a 4.25% investment rate of return and an initial annual healthcare cost trend rate of 7% which decreases to a 4.5% long-term rate for all healthcare benefits after five years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 26 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 3.25%.

21. Pension Plan

The Town follows the provisions of GASB Statement No. 27, (as amended by GASB 50) *Accounting for Pensions for State and Local Government Employees*, with respect to the employees' retirement funds.

A. Plan Description

The Town contributes to the Bristol Retirement System (the "System"), a cost-sharing multiple-employer, defined benefit pension plan administered by a county retirement board. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan and grant cost-of-living increases. The System issues a publicly available financial report that can be obtained through the Bristol County Retirement System at 645 County Street, County Crossing, Taunton, Massachusetts 02780.

B. Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the remaining system-wide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The contributions of plan members and the Town are governed by Chapter 32 of the Massachusetts General Laws. The Town's contributions to the System

for the years ended June 30, 2014, 2013, and 2012 were \$2,973,871, \$2,811,958, and \$2,709,982, respectively, which were equal to its annual required contributions for each of these years. The payroll for employees covered by the System for the year ended June 30, 2014 was not available.

C. Massachusetts Teacher Retirement System (MTRS) - Plan Description

As required by State Statutes, teachers of the Town are covered by the Massachusetts Teachers Retirement System (MTRS). The MTRS is funded by contributions from covered employees and the Commonwealth of Massachusetts. The MTRS was established under Chapter 15, Section 16 of the Massachusetts General Laws, however, Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan, and the State legislature has the authority to grant cost-of-living increases. The Town is not required to contribute.

D. Teachers

All persons employed on at least a half-time basis, who are covered under a contractual agreement requiring certification by the Board of Education are eligible, and must participate in the MTRS.

Based on the Commonwealth of Massachusetts' retirement laws, employees covered by the pension plan must contribute a percentage of gross earnings into the pension fund. The percentage is determined by the participant's date of entry into the system and gross earnings, up to \$30,000, as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7% *
January 1, 1984 - June 30, 1996	8% *
July 1, 1996 - June 30, 2001	9% *
Beginning July 1, 2001	11%

*Effective January 1, 1990, all participants hired after January 1, 1979, who have not elected to increase to 11%, contribute an additional 2% of salary in excess of \$30,000.

The Town's current year covered payroll for teachers and administrators was not available.

In fiscal year 2014, the Commonwealth of Massachusetts contributed \$7,272,160 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

22. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

23. Beginning Fund Balance Reclassification

The Town's major governmental and Enterprise funds for fiscal year 2014, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Fund Equity 6/30/13 (as previously reported)	Reclassification	To Adjust from Modified Accrual to Accrual Accounting	Fund Equity 6/30/13 (as restated)
<u>Governmental Funds</u>				
Major Fund:				
Waste Water Capital Project Fund	\$ 1,673,830	\$ (1,673,830)	\$ -	\$ -
<u>Enterprise Funds</u>				
Sewer Fund	-	1,673,830	(5,362)	1,668,468
Total	<u>\$ 1,673,830</u>	<u>\$ -</u>	<u>\$ (5,362)</u>	<u>\$ 1,668,468</u>

24. Beginning Net Position Reclassification

The beginning (July 1, 2013) net position of the Town has been restated as follows:

Government-Wide Financial Statements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
As previously reported	\$ 68,041,225	\$ 33,683,594
Reclass WWCPF to Sewer	(1,673,830)	1,673,830
Accrual accounting adjustment	<u>5,362</u>	<u>(5,362)</u>
As restated	<u>\$ 66,372,757</u>	<u>\$ 35,352,062</u>

25. Implementation of New GASB Standards

The GASB has issued Statement 68 Accounting and Financial Reporting for Pensions, which is required to be implemented in fiscal year 2015. Manage-

ment's current assessment is that this pronouncement will have a significant impact on the Town's basic financial statements by recognizing as a liability and expense, the Town's proportionate share of the Bristol County Retirement System's net pension liability.

**TOWN OF EASTON, MASSACHUSETTS
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2014

(Unaudited)

(Amounts Expressed in thousands)

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
06/30/13	\$ 50	\$ 97,441	\$ 97,391	0.05%	\$ 36,928	263.73%
01/01/11	\$ -	\$ 104,908	\$ 104,908	0.00%	\$ 37,667	278.51%
01/01/09	\$ -	\$ 96,116	\$ 96,116	0.00%	\$ 33,521	286.73%

**BRISTOL COUNTY RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION**

(Unaudited)

(Amounts Expressed in thousands)

**Employees' Retirement System
Schedule of Funding Progress**

Employees' Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
01/01/12	\$ 460,573	\$ 776,734	\$ 316,161	59.3%	\$ 137,231	230.4%
01/01/09	\$ 396,683	\$ 697,604	\$ 300,921	56.9%	\$ 158,881	189.4%

**Employees' Retirement System
Schedule of Employer Contributions**

Plan Year-end	System Wide			Town of Easton	
	Annual Required Contributions	Actual Contributions	Percent Contributed	Actual Contributions	Town Contributions as a % of Actual Contributions
12/31/13	\$ 30,484	\$ 30,484	100%	\$ 2,974	9.8%
12/31/12	\$ 30,299	\$ 29,456	97%	\$ 2,812	9.5%
12/31/11	\$ 27,585	\$ 29,333	106%	\$ 2,710	9.2%
12/31/10	\$ 30,852	\$ 28,100	91%	\$ 2,628	9.4%

See Independent Auditors' Report.