

**TOWN OF EASTON, MASSACHUSETTS**

**Annual Financial Statements**

**For the Year Ended June 30, 2015**

# TOWN OF EASTON, MASSACHUSETTS

## TABLE OF CONTENTS

	<u>PAGE</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	4
<b>BASIC FINANCIAL STATEMENTS:</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Position	12
Statement of Activities	13
<b>Fund Financial Statements:</b>	
<b>Governmental Funds:</b>	
Balance Sheet	14
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities in the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual - General Fund	18
<b>Proprietary Funds:</b>	
Statement of Net Position	19
Statement of Revenues, Expenses, and Changes in Fund Net Position	20
Statement of Cash Flows	21
<b>Fiduciary Funds:</b>	
Statement of Fiduciary Net Position	22
Statement of Changes in Fiduciary Net Position	23
<b>Notes to Financial Statements</b>	24
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Funding Progress	57
Schedule of Proportionate Share of the Net Pension Liability	58
Schedule of Contributions	59

## 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, 2015, 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, 2015, 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, the Schedule of Funding Progress, the Schedule of Proportionate Share of Net Pension Liability, and the Schedule of Contributions, 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 May 28, 2016 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 reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

*Melanson Heath*

May 28, 2016

## **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, 2015. 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 Position 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 \$32,232 (i.e., net position), a change of \$543 in comparison to the prior year.
- As of the close of the current fiscal year, total assets for business-type activities exceeded liabilities by \$38,187 (i.e., net position), a change of \$2,007 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$8,411, a change of \$(4,963) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,524, a change of \$34 in comparison to the prior year.
- Total bonds payable at the close of the current fiscal year was \$38,195, a change of \$(1,976) 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.

	NET POSITION					
	Governmental Activities		Business-Type Activities		Total	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 31,278	\$ 28,272	\$ 6,724	\$ 4,542	\$ 38,002	\$ 32,814
Capital assets	116,272	112,140	39,145	39,787	155,417	151,927
Deferred outflows	<u>1,526</u>	<u>-</u>	<u>27</u>	<u>-</u>	<u>1,553</u>	<u>-</u>
Total assets	149,076	140,412	45,896	44,329	194,972	184,741
Long-term liabilities	106,258	71,272	7,452	7,101	113,710	78,373
Notes payable	6,768	4,328	200	470	6,968	4,798
Other liabilities	3,406	3,185	57	57	3,463	3,242
Deferred inflows	<u>412</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>412</u>	<u>-</u>
Total liabilities	116,844	78,785	7,709	7,628	124,553	86,413
Net position:						
Net investment in capital assets	78,071	75,946	33,266	33,237	111,337	109,183
Restricted	5,888	10,330	-	-	5,888	10,330
Unrestricted	<u>(51,727)</u>	<u>(24,649)</u>	<u>4,921</u>	<u>3,464</u>	<u>(46,806)</u>	<u>(21,185)</u>
Total net position	<u>\$ 32,232</u>	<u>\$ 61,627</u>	<u>\$ 38,187</u>	<u>\$ 36,701</u>	<u>\$ 70,419</u>	<u>\$ 98,328</u>



CHANGES IN NET POSITION

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program revenues:						
Charges for services	\$ 3,560	\$ 3,732	\$ 6,572	\$ 5,717	\$ 10,132	\$ 9,449
Operating grants and contributions	16,359	19,270	-	-	16,359	19,270
Capital grants and contributions	1,930	3,128	-	7	1,930	3,135
General revenues:						
Property taxes	51,935	47,999	-	-	51,935	47,999
Excises	3,356	3,230	-	-	3,356	3,230
Penalties and interest and other taxes	662	537	-	-	662	537
Grants and contributions not restricted to specific programs	2,419	2,595	-	-	2,419	2,595
Investment income	92	179	11	23	103	202
Other	8,587	3,312	-	-	8,587	3,312
Total revenues	<u>88,900</u>	<u>83,982</u>	<u>6,583</u>	<u>5,747</u>	<u>95,483</u>	<u>89,729</u>
Expenses:						
General government	16,114	15,385	-	-	16,114	15,385
Public safety	10,270	10,001	-	-	10,270	10,001
Education	52,141	53,454	-	-	52,141	53,454
Public works	6,431	6,410	-	-	6,431	6,410
Health and human services	983	906	-	-	983	906
Culture and recreation	821	798	-	-	821	798
Interest and costs	1,131	1,441	-	-	1,131	1,441
Intergovernmental	811	763	-	-	811	763
Water services	-	-	2,707	2,656	2,707	2,656
Sewer services	-	-	542	375	542	375
Trash services	-	-	982	937	982	937
Total expenses	<u>88,702</u>	<u>89,158</u>	<u>4,231</u>	<u>3,968</u>	<u>92,933</u>	<u>93,126</u>
Change in net position before transfers and loss	198	(5,176)	2,352	1,779	2,550	(3,397)
Transfers in (out)	<u>345</u>	<u>430</u>	<u>(345)</u>	<u>(430)</u>	<u>-</u>	<u>-</u>
Change in net position	543	(4,746)	2,007	1,349	2,550	(3,397)
* Net position - beginning of year, as restated	<u>31,689</u>	<u>66,373</u>	<u>36,180</u>	<u>35,352</u>	<u>67,869</u>	<u>101,725</u>
Net position - end of year	<u>\$ 32,232</u>	<u>\$ 61,627</u>	<u>\$ 38,187</u>	<u>\$ 36,701</u>	<u>\$ 70,419</u>	<u>\$ 98,328</u>

\* Restated, as described in Note 25.

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 \$70,419, a change of \$2,550 from the prior year.

The largest portion of net position \$111,137 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, \$5,888, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$(46,806) primarily resulting from the Town's net pension liability.

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$543. Key elements of this change are as follows (in thousands):

Net OPEB obligation increase	\$ (4,936)
Other	<u>5,479</u>
Total	<u>\$ 543</u>

**Business-type activities.** Business-type activities for the year resulted in a change in net position of \$2,007.

#### **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 \$8,411, a change of \$(4,963) in comparison to the prior year. Key elements of this change are as follows:

General fund excess of expenditures over revenues	\$ (1,374)
Enterprise fund transfer (indirect costs)	548
Community Preservation fund excess of expenditures over revenues	(4,353)
Other	<u>216</u>
Total	<u>\$ (4,963)</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 \$3,524, while total fund balance was \$5,883. 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>6/30/15</u>	<u>6/30/14</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 3,524	\$ 3,490	\$ 34	5.0%
Total fund balance	\$ 5,883	\$ 5,916	\$ (33)	8.3%

The total fund balance of the general fund changed by \$(33) during the current fiscal year. Key factors in this change are as follows:

Use of free cash and overlay surplus as a funding source	\$ (1,559)
Stabilization funding, net	(261)
Revenues in excess of budget	1,277
Expenditures more than budget	(629)
Other	<u>1,139</u>
Total	<u>\$ (33)</u>

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

	<u>6/30/15</u>	<u>6/30/14</u>	<u>Change</u>
General stabilization	\$ 1,373	\$ 1,649	\$ (276)
Capital stabilization	<u>431</u>	<u>416</u>	<u>15</u>
Total	<u>\$ 1,804</u>	<u>\$ 2,065</u>	<u>\$ (261)</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 \$4,921, a change of \$1,457 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 \$719. Major reasons for these amendments include:

- \$250 transfer to Stabilization funded by free cash
- \$69 increase to various departmental budgets, funded by free cash, and transfers
- \$400 miscellaneous increases funded by free cash, transfers, 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 \$155,417 (net of accumulated depreciation), a change of \$3,490 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:

- Community Preservation land purchase – Gill property \$5,180.
- Main Street revitalization \$559.
- Construction and repair of the Moreau Hall Roof \$589.
- Purchase of fire pumper \$522.
- Highway infrastructure improvements of approximately \$1,159.

**Credit rating.** During the fiscal year, the Town maintained a Moody's credit rating of "Aa3".

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$38,195, 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, 2015

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 11,853,520	\$ 1,238,472	\$ 13,091,992
Investments	5,565,541	940,809	6,506,350
Receivables, net of allowance for uncollectibles:			
Property taxes	550,301	-	550,301
Excise	245,357	-	245,357
Charges for service	-	1,125,996	1,125,996
Betterments	1,254,766	3,343,318	4,598,084
Departmental and other	1,337,674	-	1,337,674
Intergovernmental	2,992,567	-	2,992,567
Inventories	-	75,930	75,930
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	725,037	-	725,037
Intergovernmental	1,967,956	-	1,967,956
Loan receivable	4,785,052	-	4,785,052
Capital assets, not being depreciated	21,639,748	3,085,138	24,724,886
Capital assets, being depreciated net of accumulated depreciation	94,631,842	36,059,921	130,691,763
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>1,525,951</u>	<u>26,548</u>	<u>1,552,499</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	149,075,312	45,896,132	194,971,444
<b>LIABILITIES</b>			
Current:			
Warrants payable	1,629,419	-	1,629,419
Accrued liabilities	1,412,633	56,546	1,469,179
Deposits held in custody	50,287	-	50,287
Notes payable	6,767,589	200,000	6,967,589
Other current liabilities	313,699	-	313,699
Current portion of long-term liabilities:			
Bonds payable	3,957,786	522,395	4,480,181
Accrued employee benefits	34,543	6,132	40,675
Estimated landfill closure and postclosure liability	50,000	-	50,000
Noncurrent:			
Bonds payable	28,205,070	5,509,655	33,714,725
Accrued employee benefits	656,321	116,516	772,837
Estimated landfill closure and postclosure liability	800,000	-	800,000
Net OPEB obligation	40,837,409	745,771	41,583,180
Net pension liability	31,716,374	551,786	32,268,160
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>412,000</u>	<u>-</u>	<u>412,000</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	116,843,130	7,708,801	124,551,931
<b>NET POSITION</b>			
Net investment in capital assets	78,071,697	33,266,063	111,337,760
Restricted for:			
Grants and other statutory restrictions	5,816,161	-	5,816,161
Permanent funds:			
Nonexpendable	25,727	-	25,727
Expendable	46,031	-	46,031
Unrestricted	<u>(51,727,434)</u>	<u>4,921,268</u>	<u>(46,806,166)</u>
<b>TOTAL NET POSITION</b>	<u>\$ 32,232,182</u>	<u>\$ 38,187,331</u>	<u>\$ 70,419,513</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, 2015

	<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>
<b>Governmental Activities:</b>							
General government	\$ 16,113,511	\$ 199,968	\$ 92,726	\$ -	\$ (15,820,817)	\$ -	\$ (15,820,817)
Public safety	10,269,595	2,367,502	221,077	-	(7,681,016)	-	(7,681,016)
Education	52,141,001	695,872	15,705,638	365,556	(35,373,935)	-	(35,373,935)
Public works	6,431,075	25	68,695	1,564,965	(4,797,390)	-	(4,797,390)
Health and human services	982,351	142,103	226,398	-	(613,850)	-	(613,850)
Culture and recreation	821,258	154,373	44,196	-	(622,689)	-	(622,689)
Interest	1,130,786	-	-	-	(1,130,786)	-	(1,130,786)
Intergovernmental	811,201	-	-	-	(811,201)	-	(811,201)
Total Governmental Activities	88,700,778	3,559,843	16,358,730	1,930,521	(66,851,684)	-	(66,851,684)
<b>Business-Type Activity:</b>							
Water services	2,707,046	3,232,944	-	-	-	525,898	525,898
Sewer services	541,538	2,252,965	-	-	-	1,711,427	1,711,427
Non-major trash services	981,670	1,085,977	-	-	-	104,307	104,307
Total Business-Type Activities	4,230,254	6,571,886	-	-	-	2,341,632	2,341,632
Total Primary Government	\$ 92,931,032	\$ 10,131,729	\$ 16,358,730	\$ 1,930,521	(66,851,684)	2,341,632	(64,510,052)
<b>General Revenues and Transfers:</b>							
Property taxes					51,934,615	-	51,934,615
Excises					3,356,262	-	3,356,262
Penalties, interest and other taxes					661,666	-	661,666
Grants and contributions not restricted to specific programs					2,418,842	-	2,418,842
Investment income					91,533	10,833	102,366
Miscellaneous					8,587,065	-	8,587,065
Transfers, net					345,114	(345,114)	-
Total general revenues and transfers					67,395,097	(334,281)	67,060,816
Change in Net Position					543,413	2,007,351	2,550,764
<b>Net Position:</b>							
Beginning of year, as restated					31,688,769	36,179,980	67,868,749
End of year					\$ 32,232,182	\$ 38,187,331	\$ 70,419,513

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

TOWN OF EASTON, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2015

	<u>General</u>	Community Preservation <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>ASSETS</b>				
Cash and short-term investments	\$ 5,708,468	\$ 866,838	\$ 5,278,214	\$ 11,853,520
Investments	2,683,873	2,881,668	-	5,565,541
Receivables:				
Property taxes	1,389,779	-	-	1,389,779
Excises	470,694	-	-	470,694
Betterments	-	-	1,254,766	1,254,766
Departmental	1,800,186	9,351	68,818	1,878,355
Intergovernmental	130,197	-	1,878,389	2,008,586
Loan receivable	-	4,785,052	-	4,785,052
<b>TOTAL ASSETS</b>	<b>\$ 12,183,197</b>	<b>\$ 8,542,909</b>	<b>\$ 8,480,187</b>	<b>\$ 29,206,293</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Warrants payable	\$ 1,629,419	\$ -	\$ -	\$ 1,629,419
Accrued liabilities	1,016,087	22,244	-	1,038,331
Deposits held in custody	-	-	50,287	50,287
Notes payable	-	2,600,000	4,167,589	6,767,589
Other liabilities	313,699	-	-	313,699
<b>TOTAL LIABILITIES</b>	<b>2,959,205</b>	<b>2,622,244</b>	<b>4,217,876</b>	<b>9,799,325</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>3,340,718</b>	<b>4,794,403</b>	<b>2,860,920</b>	<b>10,996,041</b>
<b>FUND BALANCES</b>				
Nonspendable	-	-	46,031	46,031
Restricted	-	1,126,262	5,103,174	6,229,436
Committed	1,062,959	-	-	1,062,959
Assigned	1,295,985	-	-	1,295,985
Unassigned	3,524,330	-	(3,747,814)	(223,484)
<b>TOTAL FUND BALANCES</b>	<b>5,883,274</b>	<b>1,126,262</b>	<b>1,401,391</b>	<b>8,410,927</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 12,183,197</b>	<b>\$ 8,542,909</b>	<b>\$ 8,480,187</b>	<b>\$ 29,206,293</b>

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, 2015

<b>Total governmental fund balances</b>	\$ 8,410,927
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	116,271,590
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	10,115,582
• Deferred outflows of resources related to pensions resulting from projected vs. actual earnings will be recognized as a reduction of the net pension liability in the years ending June 30, 2016 through June 30, 2019.	1,525,951
• Deferred inflows of resources related to gain on refunding.	(412,000)
• 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.	2,951,937
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(374,302)
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable	(32,162,856)
Net OPEB obligation	(40,837,409)
Net pension liability	(31,716,374)
Compensated absences liability	(690,864)
Landfill liability	<u>(850,000)</u>
<b>Net position of governmental activities</b>	<b><u>\$ 32,232,182</u></b>

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, 2015

	<u>General</u>	<u>Community Preservation Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Property taxes	\$ 49,390,477	\$ 1,050,157	\$ 54,791	\$ 50,495,425
Excises	3,362,887	-	-	3,362,887
Departmental	1,350,459	-	1,342,039	2,692,498
Licenses and permits	923,889	-	-	923,889
Fines and forfeitures	606,019	6,593	-	612,612
Intergovernmental	12,891,795	371,290	4,350,891	17,613,976
Investment income	59,128	41,988	39,470	140,586
Other	<u>987,613</u>	<u>167,817</u>	<u>2,646,583</u>	<u>3,802,013</u>
Total Revenues	69,572,267	1,637,845	8,433,774	79,643,886
<b>Expenditures:</b>				
Current:				
General government	14,027,093	51,644	716,296	14,795,033
Public safety	8,798,716	-	1,327,502	10,126,218
Education	37,565,823	-	4,593,014	42,158,837
Public works	3,602,664	-	2,509,674	6,112,338
Human services	870,028	-	41,966	911,994
Culture and recreation	520,914	-	237,905	758,819
Debt service	4,667,942	341,037	-	5,008,979
Intergovernmental	811,201	-	-	811,201
Capital outlay	<u>81,490</u>	<u>5,598,416</u>	<u>1,098,255</u>	<u>6,778,161</u>
Total Expenditures	70,945,871	5,991,097	10,524,612	87,461,580
Excess (deficiency) of revenues over expenditures	(1,373,604)	(4,353,252)	(2,090,838)	(7,817,694)
<b>Other Financing Sources (Uses):</b>				
Issuance of debt	-	-	2,510,000	2,510,000
Proceeds of refunded bonds	11,978,000	-	-	11,978,000
Payment to escrow agent	(13,367,691)	-	-	(13,367,691)
Premium on refunded bonds	1,389,691	-	-	1,389,691
Transfers in	1,582,130	10,000	364,177	1,956,307
Transfers out	<u>(241,816)</u>	<u>(325,000)</u>	<u>(1,044,377)</u>	<u>(1,611,193)</u>
Total Other Financing Sources (Uses)	1,340,314	(315,000)	1,829,800	2,855,114
Change in fund balance	(33,290)	(4,668,252)	(261,038)	(4,962,580)
Fund Balance, at Beginning of Year	<u>5,916,564</u>	<u>5,794,514</u>	<u>1,662,429</u>	<u>13,373,507</u>
Fund Balance, at End of Year	<u>\$ 5,883,274</u>	<u>\$ 1,126,262</u>	<u>\$ 1,401,391</u>	<u>\$ 8,410,927</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, 2015

<b>Net changes in fund balances - Total governmental funds</b>	<b>\$ (4,962,580)</b>																
<ul style="list-style-type: none"> <li>• 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 style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;">Capital outlay asset acquisitions, net of disposals</td> <td style="text-align: right;">10,014,441</td> </tr> <tr> <td>Depreciation expense</td> <td style="text-align: right;">(5,882,748)</td> </tr> </table> </li> <li>• 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. <span style="float: right;">6,161,073</span></li> <li>• 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. <span style="float: right;">(983,980)</span></li> <li>• 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 style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;">Issuance of debt, net of refunding</td> <td style="text-align: right;">(2,510,000)</td> </tr> <tr> <td>Repayments of debt</td> <td style="text-align: right;">3,747,653</td> </tr> </table> </li> <li>• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <span style="float: right;">130,539</span></li> <li>• 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 style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;">Increase in Net OPEB obligation</td> <td style="text-align: right;">(4,936,153)</td> </tr> <tr> <td>Increase in net pension expense</td> <td style="text-align: right;">(251,934)</td> </tr> <tr> <td>Increase in compensated absence liability</td> <td style="text-align: right;">(32,898)</td> </tr> <tr> <td>Decrease in landfill liability</td> <td style="text-align: right;"><u>50,000</u></td> </tr> </table> </li> </ul>		Capital outlay asset acquisitions, net of disposals	10,014,441	Depreciation expense	(5,882,748)	Issuance of debt, net of refunding	(2,510,000)	Repayments of debt	3,747,653	Increase in Net OPEB obligation	(4,936,153)	Increase in net pension expense	(251,934)	Increase in compensated absence liability	(32,898)	Decrease in landfill liability	<u>50,000</u>
Capital outlay asset acquisitions, net of disposals	10,014,441																
Depreciation expense	(5,882,748)																
Issuance of debt, net of refunding	(2,510,000)																
Repayments of debt	3,747,653																
Increase in Net OPEB obligation	(4,936,153)																
Increase in net pension expense	(251,934)																
Increase in compensated absence liability	(32,898)																
Decrease in landfill liability	<u>50,000</u>																
<b>Change in net position of governmental activities</b>	<b>\$ <u>543,413</u></b>																

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
<b>Revenues and Transfers In:</b>				
Property taxes	\$ 48,532,789	\$ 48,532,789	\$ 48,532,789	\$ -
Motor vehicle excise	2,975,000	2,975,000	3,362,887	387,887
Licenses, permits and fees	1,950,000	1,950,000	2,274,347	324,347
Fines and forfeitures	365,000	365,000	606,020	241,020
Intergovernmental	12,855,146	12,855,146	12,891,795	36,649
Investment income	20,000	20,000	26,691	6,691
Other revenue	699,741	706,797	987,613	280,816
Transfers in	1,762,852	2,126,996	2,126,996	-
<b>Total Revenues and Other Sources</b>	<b>69,160,528</b>	<b>69,531,728</b>	<b>70,809,138</b>	<b>1,277,410</b>
<b>Expenditures and Transfers Out:</b>				
General government	14,205,391	14,050,966	13,953,253	97,713
Public safety	8,330,327	8,662,625	8,595,897	66,728
Education	37,162,713	37,391,713	37,320,036	71,677
Public works	2,487,389	2,487,389	2,487,367	22
Snow and ice removal	188,700	188,700	1,082,803	(894,103)
Health and human services	837,276	858,276	849,171	9,105
Culture and recreation	520,914	520,914	520,914	-
Capital outlay	437,407	548,496	547,063	1,433
Debt service	4,893,861	4,823,861	4,742,359	81,502
Intergovernmental	747,784	747,784	811,201	(63,417)
Transfers out	160,265	410,265	410,265	-
<b>Total Expenditures and Other Uses</b>	<b>69,972,027</b>	<b>70,690,989</b>	<b>71,320,329</b>	<b>(629,340)</b>
Excess of revenues and transfers in over expenditures and transfers out	(811,499)	(1,159,261)	(511,191)	648,070
<b>Other Financing Sources/(Uses):</b>				
Use of free cash				
For operating budget	1,037,078	1,113,322	-	(1,113,322)
For stabilization funding	-	250,000	-	(250,000)
Use of other sources				
For operating budget	-	21,518	-	(21,518)
For capital budget	174,330	174,330	-	(174,330)
Raise prior year deficits	(399,909)	(399,909)	-	399,909
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ (511,191)	\$ (511,191)

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

TOWN OF EASTON, MASSACHUSETTS

PROPRIETARY FUND

STATEMENT OF NET POSITION

JUNE 30, 2015

	Business-Type Activities Enterprise Fund			
	Water Fund	Sewer Fund	Nonmajor Fund	Total
<b>ASSETS</b>				
Current:				
Cash and short-term investments	\$ 853,999	\$ 106,550	\$ 277,923	\$ 1,238,472
Investments	940,809	-	-	940,809
Receivables:				
Charges for service, net of allowance for uncollectibles	1,057,189	2,232	66,575	1,125,996
Betterments	-	3,343,318	-	3,343,318
Inventory	75,930	-	-	75,930
Total current assets	2,927,927	3,452,100	344,498	6,724,525
Noncurrent:				
Capital assets, not being depreciated	3,085,138	-	-	3,085,138
Capital assets being depreciated, net of accumulated depreciation	30,256,261	5,803,660	-	36,059,921
Total noncurrent assets	33,341,399	5,803,660	-	39,145,059
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	26,548	-	-	26,548
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	36,295,874	9,255,760	344,498	45,896,132
<b>LIABILITIES</b>				
Current:				
Accrued liabilities	31,478	25,068	-	56,546
Notes payable	200,000	-	-	200,000
Current portion of long-term liabilities:				
Bonds payable	385,000	112,395	25,000	522,395
Accrued employee benefits	6,132	-	-	6,132
Total current liabilities	622,610	137,463	25,000	785,073
Noncurrent:				
Bonds payable	1,502,000	4,007,655	-	5,509,655
Accrued employee benefits	116,516	-	-	116,516
Net OPEB obligation	745,771	-	-	745,771
Net pension liability	551,786	-	-	551,786
Total noncurrent liabilities	2,916,073	4,007,655	-	6,923,728
<b>TOTAL LIABILITIES</b>	3,538,683	4,145,118	25,000	7,708,801
<b>NET POSITION</b>				
Net investment in capital assets	31,582,453	1,683,610	-	33,266,063
Unrestricted	1,174,738	3,427,032	319,498	4,921,268
<b>TOTAL NET POSITION</b>	<b>\$ 32,757,191</b>	<b>\$ 5,110,642</b>	<b>\$ 319,498</b>	<b>\$ 38,187,331</b>

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, 2015

	Business-Type Activities Enterprise Fund			<u>Total</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Nonmajor Fund</u>	
<b>Operating Revenues:</b>				
Charges for services	\$ 3,149,428	\$ 2,252,867	\$ 1,070,163	\$ 6,472,458
Other	<u>83,516</u>	<u>98</u>	<u>15,814</u>	<u>99,428</u>
Total Operating Revenues	3,232,944	2,252,965	1,085,977	6,571,886
<b>Operating Expenses:</b>				
Personnel services	1,122,620	-	25,000	1,147,620
Purchase of services	643,366	134,660	955,532	1,733,558
Depreciation	<u>886,527</u>	<u>304,738</u>	<u>-</u>	<u>1,191,265</u>
Total Operating Expenses	<u>2,652,513</u>	<u>439,398</u>	<u>980,532</u>	<u>4,072,443</u>
Operating Income	580,431	1,813,567	105,445	2,499,443
<b>Nonoperating Revenues (Expenses):</b>				
Investment income	10,833	-	-	10,833
Interest expense	<u>(54,533)</u>	<u>(102,140)</u>	<u>(1,138)</u>	<u>(157,811)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(43,700)</u>	<u>(102,140)</u>	<u>(1,138)</u>	<u>(146,978)</u>
Income Before Contributions and Transfers	536,731	1,711,427	104,307	2,352,465
Transfers In	-	202,639	-	202,639
Transfers out	<u>(547,753)</u>	<u>-</u>	<u>-</u>	<u>(547,753)</u>
Change in Net Position	(11,022)	1,914,066	104,307	2,007,351
Net Position at Beginning of Year, as restated	<u>32,768,213</u>	<u>3,196,576</u>	<u>215,191</u>	<u>36,179,980</u>
Net Position at End of Year	<u>\$ 32,757,191</u>	<u>\$ 5,110,642</u>	<u>\$ 319,498</u>	<u>\$ 38,187,331</u>

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, 2015

	Business-Type Activities Enterprise Funds			Total
	Water Fund	Sewer Fund	Nonmajor Fund	
<b><u>Cash Flows From Operating Activities:</u></b>				
Receipts from customers and users	\$ 3,095,399	\$ 1,086,236	\$ 1,076,400	\$ 5,258,035
Payments to vendors and employees	(1,639,733)	(403,748)	(980,532)	(3,024,013)
Net Cash Provided By Operating Activities	1,455,666	682,488	95,868	2,234,022
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>				
Transfers in	-	202,639	-	202,639
Transfers out	(547,753)	-	-	(547,753)
Net Cash (Used For) Noncapital Financing Activities	(547,753)	202,639	-	(345,114)
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>				
Acquisition and construction of capital assets	(225,848)	(323,897)	-	(549,745)
Proceeds from issuance of bonds and notes	650,000	-	-	650,000
Principal payments on bonds and notes	(863,000)	(352,540)	(30,000)	(1,245,540)
Interest expense	(57,957)	(102,140)	(1,138)	(161,235)
Net Cash Used For Capital and Related Financing Activities	(496,805)	(778,577)	(31,138)	(1,306,520)
<b><u>Cash Flows From Investing Activities:</u></b>				
Change in investments	(16,506)	-	-	(16,506)
Investment income	10,833	-	-	10,833
Net Cash Provided By Investing Activities	(5,673)	-	-	(5,673)
Net Change in Cash and Short-Term Investments	405,435	106,550	64,730	576,715
Cash and Short-Term Investments, Beginning of Year	448,564	-	213,193	661,757
Cash and Short-Term Investments, End of Year	\$ 853,999	\$ 106,550	\$ 277,923	\$ 1,238,472
<b><u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u></b>				
Operating income	\$ 580,431	\$ 1,813,567	\$ 105,445	\$ 2,499,443
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation	886,527	304,738	-	1,191,265
Changes in assets and liabilities:				
Receivables	(137,546)	(1,871,756)	(9,577)	(2,018,879)
Intergovernmental A/R	-	705,027	-	705,027
Inventory	(3,456)	-	-	(3,456)
Due to other funds	-	(271,646)	-	(271,646)
Accrued liabilities	10,223	2,558	-	12,781
Other post employment benefits	119,487	-	-	119,487
Net Cash Provided By Operating Activities	\$ 1,455,666	\$ 682,488	\$ 95,868	\$ 2,234,022

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

TOWN OF EASTON, MASSACHUSETTS  
 FIDUCIARY FUNDS  
 STATEMENT OF FIDUCIARY NET POSITION  
 JUNE 30, 2015

	<u>OPEB Trust Fund</u>	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<b><u>ASSETS</u></b>			
Cash and short-term investments	\$ 231	\$ 149,417	\$ 764,868
Investments	<u>52,396</u>	<u>537,999</u>	<u>-</u>
Total Assets	52,627	687,416	764,868
<b><u>LIABILITIES AND NET POSITION</u></b>			
Other liabilities	<u>-</u>	<u>-</u>	<u>764,868</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>764,868</u>
<b><u>NET POSITION</u></b>			
Total net position held in trust	<u>\$ 52,627</u>	<u>\$ 687,416</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, 2015

	<u>OPEB Trust Fund</u>	<u>Private Purpose Trust Funds</u>
<b>Additions:</b>		
Investment income	\$ 1,591	\$ 25,484
Contributions	<u>-</u>	<u>36,972</u>
Total additions	1,591	62,456
<b>Deductions:</b>		
Other	<u>-</u>	<u>47,465</u>
Total deductions	<u>-</u>	<u>47,465</u>
Net increase	1,591	14,991
<b>Net position:</b>		
Beginning of year	<u>51,036</u>	<u>672,425</u>
End of year	<u>\$ 52,627</u>	<u>\$ 687,416</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 2015, 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 2015 tax levy reflected an excess capacity of \$15,927.

*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)	\$ 69,572,267	\$ 70,945,871
Other financing sources/uses (GAAP basis)	<u>14,949,821</u>	<u>13,609,507</u>
Subtotal (GAAP Basis)	84,522,088	84,555,378
To adjust property tax revenues to the budgetary basis	(846,748)	-
To reverse expenditures of prior year appropriation carryforwards	-	(322,730)
To book current year appropriation carryforwards	-	238,906
Other timing issues	(9,421)	(33,534)
Nonbudgeted items	<u>(12,856,781)</u>	<u>(13,117,691)</u>
Budgetary Basis	<u>\$ 70,809,138</u>	<u>\$ 71,320,329</u>



C. Excess of Expenditures Over Appropriations

Expenditures exceeding appropriations during the current fiscal year were as follows:

Snow and ice removal	\$(894,103)
Intergovernmental	\$(63,417)

D. Deficit Fund Equity

The following funds had deficits as of June 30, 2015:

Non-Major Funds:	
Chapter 90 Highway	\$ (262,776)
Police Detail	(46,776)
Green Communities Grant	(4,505)
STEAM Education Program	(5,595)
MWPAT Septic Loan Program	(303,222)
EMS Roof Repairs	(997,615)
ESCO Project	(37,891)
Capital Budget Items	(1,700,771)
Moreau Hall Roof	<u>(388,663)</u>
Total Non-Major	<u>\$ (3,747,814)</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, 2015, \$4,102,118 of the Town's bank balance of \$17,460,250 was exposed to custodial credit risk as uninsured or uncollateralized. \$734,801 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	\$ 1,586	\$ 1,586	\$ -	\$ -
Corporate bonds	1,237	-	-	1,237
Corporate equities	856	856	-	-
Mutual funds	937	937	-	-
U.S. Treasury bonds	893	-	893	-
Federal agency securities	1,588	-	1,588	-
Total investments	<u>\$ 7,097</u>	<u>\$ 3,379</u>	<u>\$ 2,481</u>	<u>\$ 1,237</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 government 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 Home Loan Mtg. Corp	\$ 565,161
Federal Home Loan Mtg. MTN	476,740
General Elec Cap Corp MTN	<u>549,461</u>
Total	<u>\$ 1,591,362</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>&lt; 1</u>	<u>1-5</u>
Debt-related Securities:			
Certificates of deposits	\$ 1,586	\$ 1,228	\$ 358
Corporate bonds	1,237	628	609
U.S. Treasury bonds	893	-	893
Federal agency securities	<u>1,588</u>	<u>-</u>	<u>1,588</u>
Total	<u>\$ 5,304</u>	<u>\$ 1,856</u>	<u>\$ 3,448</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, 2015 consist of the following (in thousands):

Real Estate		
2015	\$ 513	
2014	<u>2</u>	
		515
Personal Property		
2015	18	
2014	11	
2013	11	
2012	5	
Prior	<u>20</u>	
		65
Tax Liens		783
Deferred Taxes		<u>27</u>
Total		<u>\$ 1,390</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	\$ 114	\$ -
Excises	\$ 225	\$ -
Departmental (Ambulance)	\$ 541	\$ -
Utilities	\$ -	\$ 748

## 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:

2016	\$	983,980
2017		983,980
2018		<u>983,977</u>
Total	\$	<u><u>2,951,937</u></u>

## 8. Loan Receivable

This balance represents a loan from Beacon Communities in relation to the Beacon Shovelworks project that was funded by the Community Preservation fund. The original amount of the loan is \$4,035,000 with an annually compounding interest rate of 3%. The maturity date on this loan is April 11, 2028. As of June 30, 2015 the outstanding balance on the loan receivable is \$4,785,052 which includes the original loan balance plus accrued interest of \$435,052.

## 9. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 120,495	\$ -	\$ -	\$ 120,495
Machinery, equipment, and furnishings	8,625	1,527	-	10,152
Infrastructure	<u>37,505</u>	<u>2,833</u>	<u>-</u>	<u>40,338</u>
Total capital assets, being depreciated	166,625	4,360	-	170,985
Less accumulated depreciation for:				
Buildings and improvements	(40,299)	(3,859)	-	(44,158)
Machinery, equipment, and furnishings	(6,758)	(597)	-	(7,355)
Infrastructure	<u>(23,413)</u>	<u>(1,427)</u>	<u>-</u>	<u>(24,840)</u>
Total accumulated depreciation	<u>(70,470)</u>	<u>(5,883)</u>	<u>-</u>	<u>(76,353)</u>
Total capital assets, being depreciated, net	96,155	(1,523)	-	94,632
Capital assets, not being depreciated:				
Land	10,686	5,485	-	16,171
Intangible assets	4,000	-	-	4,000
Construction in progress	<u>1,299</u>	<u>1,251</u>	<u>(1,081)</u>	<u>1,469</u>
Total capital assets, not being depreciated	<u>15,985</u>	<u>6,736</u>	<u>(1,081)</u>	<u>21,640</u>
Governmental activities capital assets, net	<u>\$ 112,140</u>	<u>\$ 5,213</u>	<u>\$ (1,081)</u>	<u>\$ 116,272</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 390	\$ -	\$ -	\$ 390
Machinery, equipment, and furnishings	2,038	-	-	2,038
Infrastructure	<u>50,817</u>	<u>550</u>	<u>-</u>	<u>51,367</u>
Total capital assets, being depreciated	53,245	550	-	53,795
Less accumulated depreciation for:				
Buildings and improvements	(297)	(10)	-	(307)
Machinery, equipment, and furnishings	(1,275)	(131)	-	(1,406)
Infrastructure	<u>(14,971)</u>	<u>(1,051)</u>	<u>-</u>	<u>(16,022)</u>
Total accumulated depreciation	<u>(16,543)</u>	<u>(1,192)</u>	<u>-</u>	<u>(17,735)</u>
Total capital assets, being depreciated, net	36,702	(642)	-	36,060
Capital assets, not being depreciated:				
Land	3,085	-	-	3,085
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, not being depreciated	<u>3,085</u>	<u>-</u>	<u>-</u>	<u>3,085</u>
Business-type activities capital assets, net	<u>\$ 39,787</u>	<u>\$ (642)</u>	<u>\$ -</u>	<u>\$ 39,145</u>

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

Governmental Activities:	
General government	\$ 20
Public safety	406
Education	3,765
Public works	1,643
Culture and recreation	23
Health and human services	<u>26</u>
Total depreciation expense - governmental activities	<u>\$ 5,883</u>
Business-Type Activities:	
Water	\$ 887
Sewer	<u>305</u>
Total depreciation expense - business-type activities	<u>\$ 1,192</u>

## 10. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net assets by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets.

The following is a summary of deferred outflow of resources balances as of June 30, 2015:

	<u>Entity-wide Basis</u>		<u>Fund Basis</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Proprietary Funds Water</u>
Net difference between projected and actual investment pension earnings	\$ 1,525,951	\$ 26,548	\$ 26,548

**11. Warrants Payable**

Warrants payable represent 2015 expenditures paid by July 15, 2015.

**12. Anticipation Notes Payable**

The Town had the following notes outstanding at June 30, 2015.

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/15</u>
<u>Governmental Activities</u>				
MWPAT Loan - Septic	0.10%	08/14/14	upon completion	\$ 334,094
Middle School Roof Replacement	1.00%	08/22/14	08/21/15	1,080,000
Land Acquisition	1.00%	08/22/14	08/21/15	330,000
Land Acquisition - CPA	1.00%	08/22/14	08/21/15	2,600,000
Fire Pumper	1.00%	08/22/14	08/21/15	525,000
DPW Equipment	1.00%	08/22/14	08/21/15	436,000
DPW Road Pavement	1.00%	08/22/14	08/21/15	500,000
Fire Vehicles	1.00%	08/22/14	08/21/15	82,495
Police Cruisers	1.00%	08/22/14	08/21/15	33,000
School SPED Van	1.00%	08/22/14	08/21/15	47,000
Moreau Elementary School Roof	1.00%	08/22/14	08/21/15	<u>800,000</u>
Subtotal				6,767,589
<u>Business-Type Activities</u>				
Water Main Replacement Program	1.00%	08/22/14	08/21/15	<u>200,000</u>
Subtotal				<u>200,000</u>
Grand Total				<u>\$ 6,967,589</u>

The following summarizes activity in notes payable during fiscal year 2015.

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
<u>Governmental Activities</u>				
MWPAT - Septic	\$ 500,000	\$ -	\$ (500,000)	\$ -
MWPAT - Septic	348,264	151,736	(500,000)	-
MWPAT - Septic	-	334,094	-	334,094
Middle School Roof Replacement	1,150,000	1,080,000	(1,150,000)	1,080,000
DPW Equipment	415,000	436,000	(415,000)	436,000
DPW Main Street Revitalization	980,000	-	(980,000)	-
DPW Municipal Facilities Asset Mgmt System	100,000	-	(100,000)	-
School SPED Van	35,000	47,000	(35,000)	47,000
Moreau Elementary School Roof	800,000	800,000	(800,000)	800,000
Land Acquisition	-	330,000	-	330,000
Land Acquisition - CPA	-	2,600,000	-	2,600,000
Fire Pumper	-	525,000	-	525,000
DPW Road Pavement	-	500,000	-	500,000
Fire Vehicles	-	82,495	-	82,495
Police Cruisers	-	33,000	-	33,000
Subtotal	4,328,264	6,919,325	(4,480,000)	6,767,589
<u>Business-Type Activities</u>				
Wastewater Treatment	20,000	-	(20,000)	-
Water Main Replacement Program	250,000	-	(250,000)	-
Water	200,000	-	(200,000)	-
Water Main Replacement Program	-	200,000	-	200,000
Subtotal	470,000	200,000	(470,000)	200,000
Grand Total	\$ 4,798,264	\$ 7,119,325	\$ (4,950,000)	\$ 6,967,589

### 13. 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 6/30/15
Landfill closure - refunded	2017	2.00	\$ 160,000
MWPAT sewer loan	2020	-	37,855
Landfill closure - refunded	2023	2.00 - 3.00	980,000
School Planning - refunded	2023	2.00 - 3.00	755,000
MWPAT wastewater study	2023	3.00 - 5.00	19,698
Library refunded	2019	4.00 - 5.00	140,000

(continued)



(continued)

<u>Governmental Activities:</u>	<u>Serial</u> <u>Maturities</u> <u>Through</u>	<u>Interest</u> <u>Rate(s) %</u>	<u>Amount</u> <u>Outstanding</u> <u>as of</u> <u>6/30/15</u>
Landfill closure - refunded	2020	4.00 - 5.00	470,000
Foundry street - refunded	2020	4.00 - 5.00	75,000
Concom Ind - Lewis Farms refunded	2020	4.00 - 5.00	25,000
School construction	2017	4.00 - 5.00	2,000,000
School construction - refunded	2018	4.00 - 5.00	3,830,000
Dean street land purchase	2017	4.00 - 5.00	145,000
Library addition	2020	2.00 - 5.00	190,000
Capital budget - DPW roof	2020	2.00 - 5.00	50,000
School electrical updates	2020	2.00 - 5.00	100,000
Capital budget - stadium	2024	2.00 - 5.00	810,000
School construction	2027	2.00 - 5.00	2,820,000
School phone system	2016	2.00 - 3.00	5,000
NE Village Wastewater system	2016	2.00 - 3.00	70,000
Long pond dam repairs	2016	2.00 - 3.00	15,000
Public safety radios	2016	2.00 - 3.00	11,000
Inspectional services vehicles	2016	2.00 - 3.00	2,000
DPW equipment/vehicles	2016	2.00 - 3.00	47,000
MWPAT	2033	2.00	277,303
Street Reconstruction	2027	2.00 - 3.00	720,000
Fire Station Roof	2033	2.00 - 3.00	155,000
Ground Water Planning	2017	2.00 - 3.00	50,000
MWPAT - Septic Loan Program	2033	-	180,000
Chestnut Street Land Acquisition	2033	2.00 - 3.00	2,185,000
School construction	2018	2.00 - 3.00	135,000
Capital budget - Equipment	2022	2.00 - 3.00	280,000
Capital budget - Gov Ames/Middle School Roof/Equipment	2023	3.00 - 3.50	935,000
Capital budget - Main Street/DPW Equipment/Asset Mgmt/School Van	2017-2028	2.00 - 4.00	1,510,000
School construction - refunded	2026	2.00 - 4.00	11,186,500
CPA land acquisition - refunded	2026	2.00 - 4.00	791,500
MWPAT 98-1026-B Series 18 Title V	2035	-	500,000
MWPAT 98-1026-C Series 18 Title V	2035	-	500,000
			<u>\$ 32,162,856</u>

<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/15</u>
Land - Freitas	2017	3.75 - 4.50	\$ 40,000
Town well	2016	4.00 - 5.00	80,000
Water tank painting	2016	4.00 - 5.00	35,000
Bay Road land acquisition	2026	4.00 - 5.00	60,000
Water main construction	2016	2.00 - 3.00	80,000
Water main construction	2018	2.00 - 3.00	60,000
Water main construction	2033	2.00 - 3.00	825,000
Water main replacment program	2029	2.00 - 4.00	250,000
Water	2029	2.00 - 4.00	200,000
Bay Road land acquisition - refunded	2026	2.00 - 4.00	257,000
MWPAT	2043	2.40	4,110,050
WWTP & sewage collection facility	2017	2.00 - 4.00	10,000
Recycling carts	2016	2.00 - 3.00	25,000
			<u>\$ 6,032,050</u>

**B. Future Debt Service**

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2015 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 3,957,786	\$ 1,061,709	\$ 5,019,495
2017	3,843,063	903,137	4,746,200
2018	3,796,346	763,978	4,560,324
2019	2,488,636	670,738	3,159,374
2020	2,413,931	593,913	3,007,844
2021 - 2025	11,286,543	1,684,431	12,970,974
2026 - 2030	3,592,573	200,298	3,792,871
2031 - 2035	783,978	20,595	804,573
Total	<u>\$ 32,162,856</u>	<u>\$ 5,898,799</u>	<u>\$ 38,061,655</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 522,395	\$ 154,670	\$ 677,065
2017	304,705	140,600	445,305
2018	274,066	133,572	407,638
2019	219,476	127,840	347,316
2020	216,939	122,573	339,512
2021 - 2025	1,123,523	519,362	1,642,885
2026 - 2030	1,033,517	375,483	1,409,000
2031 - 2035	878,412	261,897	1,140,309
2036 - 2040	876,662	151,319	1,027,981
2041 - 2043	582,355	31,816	614,171
Total	<u>\$ 6,032,050</u>	<u>\$ 2,019,132</u>	<u>\$ 8,051,182</u>

**C. Changes in General Long-Term Liabilities**

During the year ended June 30, 2015, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/14</u>	Additions	Reductions	Refunding of Debt, Net	Total Balance <u>6/30/15</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/15</u>
<u>Governmental Activities</u>							
General obligation debt	\$ 33,812	\$ 2,510	\$ (3,748)	\$ (412)	\$ 32,162	\$ (3,957)	\$ 28,205
Accrued employee benefits	658	33	-	-	691	(35)	656
Landfill closure	900	-	(50)	-	850	(50)	800
Net OPEB obligation	35,902	9,062	(4,126)	-	40,838	-	40,838
Net pension liability	29,939	1,777	-	-	31,716	-	31,716
Totals	<u>\$ 101,211</u>	<u>\$ 13,382</u>	<u>\$ (7,924)</u>	<u>\$ (412)</u>	<u>\$ 106,257</u>	<u>\$ (4,042)</u>	<u>\$ 102,215</u>
<u>Business-Type Activities</u>							
Bonds payable	\$ 6,358	\$ 228	\$ (546)	\$ (8)	\$ 6,032	\$ (522)	\$ 5,510
Accrued employee benefits	117	6	-	-	123	(6)	117
Net OPEB obligation	626	172	(52)	-	746	-	746
Net pension liability	520	31	-	-	551	-	551
Totals	<u>\$ 7,621</u>	<u>\$ 437</u>	<u>\$ (598)</u>	<u>\$ (8)</u>	<u>\$ 7,452</u>	<u>\$ (528)</u>	<u>\$ 6,924</u>

**D. Partial Advanced Refunding of 10/15/06**

**Current Year**

On 8/21/14, the Town issued general obligation bonds in the aggregate amount of \$14,205,000 with interest rates ranging from 2.0% to 4.0% throughout the life of the bonds. The bonds were issued at a true interest cost (TIC) of 1.975%. \$1,970,000 of the aggregate \$14,205,000 was issued to fund new projects.

The \$12,235,000 in refunding bonds was issued to advance refund \$12,655,000 of its October 15, 2006 bonds (the "2006 Bonds"), comprised of serial bonds with interest rates ranging from 4.0% to 5.0%. The 2006 Bonds mature on August 1, 2017 through August 1, 2025 and are callable on August 1, 2016.

The refunding met the requirements of an in-substance debt defeasance and the bonds were removed from the Town's financial statements.

After paying pro-rata issuance costs and underwriter's discount of approximately \$135,305, the net bond proceeds associated with advance refunding the 2006 bonds were \$13,624,692 and were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the 2006 bonds can be called on August 1, 2016. As a result of the 2006 advance refunding, the Town reduced its total debt service cash flow requirements by \$119,600, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$835,681.

Defeased debt for the 2006 issue outstanding at June 30, 2015 was \$12,655,000 (callable August 1, 2016).

**14. 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 \$850,000 reported as landfill closure and postclosure care liability at June 30, 2015 represents what it would cost to perform all closure and post-closure care remaining on the closed landfill site in 2015. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

**15. Deferred Inflows of Resources**

Deferred inflows of resources are the acquisition of net assets by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

The following is a summary of deferred inflow of resources balances as of June 30, 2015:

	<u>Entity-wide Basis</u>	<u>Fund Basis</u>		
	<u>Governmental</u>	<u>Governmental Funds</u>		
	<u>Activities</u>	<u>General Fund</u>	<u>CPA</u>	<u>Nonmajor</u>
Unavailable revenues	\$ -	\$ 3,340,718	\$ 4,794,403	\$ 2,860,920
Gain on refunding	\$ 412,000	\$ -	\$ -	\$ -

**16. 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, 2015:

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, 2015:

	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	-	-	387,553	387,553
Special revenue funds				
KFD Extended Day	-	-	280,699	280,699
Custodial Revolving	-	-	142,107	142,107
SPED Revolving	-	-	286,262	286,262
Athletic Revolving - Gate receipts			109,265	109,265
Athletic Revolving	-	-	143,415	143,415
Oliver Ames Trust - Highway	-	-	346,289	346,289
Oliver Ames Trust - School	-	-	151,186	151,186
SPED Circuit Breaker	-	-	664,835	664,835
Sale of Real Estate			151,000	151,000
Septic Loan Betterments	-	-	256,463	256,463
Other Special Revenues	-	-	803,651	803,651
Expendable permanent funds				
Conservation Trust	-	-	174,734	174,734
Affordable Housing Trust - CPA	-	-	1,016,225	1,016,225
Other Expendable Trusts	-	-	189,490	189,490
Community preservation funds	-	1,126,262	-	1,126,262
Total Restricted	-	1,126,262	5,103,174	6,229,436

(continued)

(continued)

	General Fund	Community Preservation Funds	Nonmajor Governmental Funds	Total Governmental Funds
Committed				
Nonlapsing capital appropriations	630,908	-	-	630,908
Capital stabilization funds	<u>432,051</u>	<u>-</u>	<u>-</u>	<u>432,051</u>
Total Committed	1,062,959	-	-	1,062,959
Assigned				
Encumbrances	85,930	-	-	85,930
For next year's expenditures	<u>1,210,055</u>	<u>-</u>	<u>-</u>	<u>1,210,055</u>
Total Assigned	1,295,985	-	-	1,295,985
Unassigned				
General Fund	2,151,651	-	-	2,151,651
General Stabilization	1,372,679	-	-	1,372,679
Deficits	<u>-</u>	<u>-</u>	<u>(3,747,814)</u>	<u>(3,747,814)</u>
Total Unassigned	<u>3,524,330</u>	<u>-</u>	<u>(3,747,814)</u>	<u>(223,484)</u>
Total Fund Balance	<u>\$ 5,883,274</u>	<u>\$ 1,126,262</u>	<u>\$ 1,401,391</u>	<u>\$ 8,410,927</u>

## 17. 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 Town 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 2015:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,582,130	\$ 241,816
Community Preservation Fund	10,000	325,000
Nonmajor Funds:		
Special Revenues Funds:		
Receipts Reserved	-	24,449
Other SRF	-	1,023,860
Capital Project Funds:		
Other Capital Projects	39,177	-
Trust Funds:		
Expendable	<u>335,305</u>	<u>6,373</u>
Subtotal Nonmajor Funds <sup>(1)</sup>	374,482	1,054,682
<u>Business-Type Funds:</u>		
Water Fund	-	547,753
Sewer Fund	<u>202,639</u>	<u>-</u>
Subtotal Business-Type Funds	<u>202,639</u>	<u>547,753</u>
Grand Total	<u>\$ 2,169,251</u>	<u>\$ 2,169,251</u>

<sup>(1)</sup> Transfers in and out were netted on page 16 to eliminate intrafund activity.

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.

**18. 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.

**19. Subsequent Events**

Debt

Subsequent to June 30, 2015, the Town has incurred the following debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
General obligation bonds	\$ 5,765,000	2.00 - 3.00%	8/20/15	8/15/34
Bond anticipation notes	\$ 3,345,000	2.00%	8/21/15	8/16/16
MWPAT CWT-15-09	\$ 500,000	0.10%	9/17/15	12/31/17

**20. 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 indeterminable, 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.

## **21. 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, 2015, the actuarial valuation date, approximately 552 retirees and 645 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 2015 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 com-



ponents of the Town's annual OPEB cost for the year ending June 30, 2015, 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, 2015.

Annual Required Contribution (ARC)	\$ 7,689,211
Interest on net OPEB obligation	1,544,568
Adjustment to ARC	<u>(1,572,663)</u>
Annual OPEB cost	7,661,116
Contributions made	<u>(2,605,476)</u>
Increase in net OPEB obligation	5,055,640
Net OPEB obligation - beginning of year	<u>36,527,540</u>
Net OPEB obligation - end of year	<u><u>\$ 41,583,180</u></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>
2015	\$ 7,661,116	34%	\$ 41,583,180
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, 2015 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, 2015, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 98,333,114
Actuarial value of plan assets	<u>(53,450)</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 98,279,664</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0.05%</u>
Covered payroll (active plan members)	<u>40,362,501</u>
UAAL as a percentage of covered payroll	<u><u>243.49%</u></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, 2015 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was determined to be \$53,450. The actuarial assumptions included a 4.25% investment rate of return and an initial annual healthcare cost trend rate of 6.0% 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%.

**22. Retirement System**

The Town follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the employees' retirement funds.

A. Plan Description

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Bristol County Retirement System (the System), a cost sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the

Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publically available from the System located at 645 County Street, County Crossing, Taunton, Massachusetts 02780.

*B. Benefits Provided*

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest five year average for those first becoming members of a MA System on or after that date. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification. Members become vested after 10 years of creditable service. A retirement allowance may be received upon attaining 20 years of service. The plan also provides for early retirement at age 55 if the participant (1) has a record of 10 years of creditable service, (2) was on the Town payroll on January 1, 1978, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the fund. A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 50 for groups 1 and 2, respectively. A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

Per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100 percent, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive zero, fifty, or one hundred percent of the regular interest which has accrued upon those deductions. However, effective July 1, 2010, members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3% and do not forfeit any interest previously earned on contributions.

C. Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

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

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The Town's contribution to the System for the year ended June 30, 2015 was \$3,093,467, which was equal to its annual required contribution.

D. Summary of Significant Accounting Policies

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

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

At June 30, 2015, the Town reported a liability of \$ 32,268,160 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014 rolled forward to the measurement date of December 31, 2014. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2014, the Town's proportion was 11.294%.

For the year ended June 30, 2015, the Town recognized pension expense of \$3,409,296. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ <u>1,552,499</u>
Total	\$ <u><u>1,552,499</u></u>

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

Year ended June 30:	
2016	\$ 388,125
2017	388,125
2018	388,125
2019	<u>388,124</u>
Total	\$ <u><u>1,552,499</u></u>

Actuarial assumptions: The total pension liability in the January 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	4.00%
Salary increases	3.00%
Investment rate of return	8.00%

Mortality rates were based on RP-200 Mortality Table, adjusted to 2015 with Scale AA for pre-retirement and healthy retirees. RP-2000 Mortality Table set forward two years for disabled retirees.

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of the most recent actuarial experience study, which was for the period January 1, 2013 through December 31, 2013.

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected

future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	46.50%	7.80%
Fixed Income	24.50%	5.00%
Private equity	8.50%	11.30%
Real estate	7.50%	6.30%
Hedge funds	5.00%	7.10%
Infrastructure	5.00%	8.00%
Timber	3.00%	7.50%
Total	<u>100.00%</u>	

**Discount Rate:** The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the proportionate share of the net pension liability to changes in the discount rate:** The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (7%) or 1 percentage-point higher (9%) than the current rate:

<u>Fiscal Year Ended</u>	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
June 30, 2015	\$ 42,615,764	\$ 32,268,160	\$ 23,409,528

**Pension plan fiduciary net position:** Detailed information about the pension plan's fiduciary net position is available in the separately issued System financial report.

## 23. Massachusetts Teachers' Retirement System (MTRS)

### A. Plan Description

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report.

Management of MTRS is vested in the Massachusetts Teachers' Retirement Board (MTRB), which consists of seven members—two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves ex-officio as the Chairman of the MTRB.

### B. Benefits Provided

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by

employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

*C. Contributions*

Member contributions for MTRS vary depending on the most recent date of membership:

<u>Hire Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 - 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation in excess of \$30,000

*D. Actuarial Assumptions*

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of January 1, 2014 rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of January 1, 2014, rolled back to June 30, 2013. This valuation used the following assumptions:

- (a) 8.0% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year.
- Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
- Mortality rates were as follows:
  - Pre-retirement - reflects RP-2000 Employees table adjusted for “white-collar” employment projected 22 years with Scale AA (gender distinct)
  - Post-retirement - reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct)
  - Disability – reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct) set forward 3 years for males.

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan



investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2014 and 2013 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	
		<u>2014</u>	<u>2013</u>
Global equity	43.0%	7.2%	7.70%
Core fixed income	13.0%	2.5%	2.00%
Hedge funds	10.0%	5.5%	4.75%
Private equity	10.0%	8.8%	9.00%
Real estate	10.0%	6.3%	6.00%
Value added fixed income	10.0%	6.3%	6.30%
Timber/natural resources	4.0%	5.0%	5.00%
Total	<u>100.0%</u>		

*E. Discount Rate*

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*F. Sensitivity Analysis*

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate (amounts in thousands):

<u>Fiscal Year Ended</u>	<u>1% Decrease to 7%</u>	<u>Current Discount Rate 8%</u>	<u>1% Increase to 9%</u>
June 30, 2013	\$ 21,426,000	\$ 17,234,000	\$ 13,672,000
June 30, 2014	\$ 20,247,000	\$ 15,896,000	\$ 12,200,000

**G. Special Funding Situation**

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarial determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68) and the Commonwealth is a nonemployer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

**H. Town Proportions**

In fiscal year 2014 (the most recent measurement period), the Commonwealth's proportionate share of the MTRS' collective net pension liability and pension expense was \$58,698,919 and \$4,078,096 respectively, based on a proportionate share of 0.369260%. As required by GASB 68, the Town has recognized its portion of the collective pension expense as both a revenue and expense in the government-wide Statement of Activities.

**24. 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.

**25. Beginning Net Position Reclassification**

The beginning (July 1, 2014) 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	\$ 61,627,258	\$ 36,700,835
GASB 68 Implementation	<u>(29,938,489)</u>	<u>(520,855)</u>
As restated	<u>\$ 31,688,769</u>	<u>\$ 36,179,980</u>

Fund Basis Financial Statements:

	<u>Water Fund</u>
As previously reported	\$ 33,289,068
GASB 68 Implementation	<u>(520,855)</u>
As restated	<u>\$ 32,768,213</u>

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

**June 30, 2015**

**(Unaudited)**

**(Amounts Expressed in thousands)**

**Other Post-Employment Benefits**

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) - Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percent- age of Covered Payroll <u>[(b-a)/c]</u>
06/30/15	\$ 53	\$ 98,333	\$ 98,280	0.05%	\$ 40,363	243.49%
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%

See Independent Auditors' Report.

**TOWN OF EASTON, MASSACHUSETTS**  
**SCHEDULE OF PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2015**  
**(Unaudited)**

<u>Bristol County Retirement System:</u>	<u>2015</u>
Proportion of the net pension liability for the most recent measurement date	11.294%
Proportionate share of the net pension liability for the most recent measurement date	\$ 32,268,160
Covered-employee payroll for the most recent measurement date	\$ 16,022,954
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	201.39%
Plan fiduciary net position as a percentage of the total pension liability	67.11%
 <u>Massachusetts Teachers' Retirement System:</u>	 <u>2015</u>
Proportion of the net pension liability for the most recent measurement date	0.369260%
The Town's proportionate share of the net pension liability for the most recent measurement date	\$ -
Commonwealth of Massachusetts' total proportionate share of the net pension liability that is associated with the Town	<u>58,698,919</u>
Total net pension liability associated with the Town	<u>\$ 58,698,919</u>
Covered-employee payroll for the most recent measurement date	\$ 22,643,032
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0%
Plan fiduciary net position as a percentage of the total pension liability	61.64%

*Schedules are intended to show information for 10 years. Additional years will be displayed as they become available*

See Independent Auditors' Report.

**TOWN OF EASTON, MASSACHUSETTS**

**SCHEDULE OF CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2015  
(Unaudited)**

<u>Bristol County Retirement System:</u>	<u>2015</u>
Contractually required contribution for the current fiscal year	\$ 3,093,467
Contributions in relation to the contractually required contribution	<u>(3,093,467)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll for the current fiscal year	\$ 16,433,051
Contributions as a percentage of covered-employee payroll	19%

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See Independent Auditors' Report.