

TOWN OF EASTON, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2016

TOWN OF EASTON, MASSACHUSETTS

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Governmental Funds:	
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
Proprietary Funds:	
Statement of Net Position	19
Statement of Revenues, Expenses, and Changes in Fund Net Position	20
Statement of Cash Flows	21
Fiduciary Funds:	
Statement of Fiduciary Net Position	22
Statement of Changes in Fiduciary Net Position	23
Notes to Financial Statements	24
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of OPEB Funding Progress	59
Schedule of Proportionate Share of the Net Pension Liability	60
Schedule of Pension Contributions	61

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, 2016, 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.

Auditors' 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 auditors' 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, 2016, 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 OPEB Funding Progress, the Schedule of Proportionate Share of Net Pension Liability, and the Schedule of Pension 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 March 23, 2017 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

March 23, 2017

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 for the fiscal year ended June 30, 2016. 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, liabilities, and deferred outflows/inflows of resources with the difference reported as net position. 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 \$28,755 (i.e., net position), a change of \$(3,477) in comparison to the prior year.
- As of the close of the current fiscal year, total assets for business-type activities exceeded liabilities by \$40,346 (i.e., net position), a change of \$2,158 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$13,721, a change of \$5,310 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,581, a change of \$1,057 in comparison to the prior year.
- Total bonds payable at the close of the current fiscal year was \$39,480, a change of \$1,286 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>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 33,970	\$ 31,278	\$ 9,822	\$ 6,724	\$ 43,792	\$ 38,002
Capital assets	114,882	116,272	42,681	39,145	157,563	155,417
Deferred outflows	<u>7,412</u>	<u>1,526</u>	<u>129</u>	<u>27</u>	<u>7,541</u>	<u>1,553</u>
Total assets	156,264	149,076	52,632	45,896	208,896	194,972
Long-term liabilities	116,911	106,258	7,071	7,452	123,982	113,710
Notes payable	5,515	6,768	5,105	200	10,620	6,968
Other liabilities	3,554	3,406	90	57	3,644	3,463
Deferred inflows	<u>1,529</u>	<u>412</u>	<u>20</u>	<u>-</u>	<u>1,549</u>	<u>412</u>
Total liabilities	127,509	116,844	12,286	7,709	139,795	124,553
Net position:						
Net investment in capital assets	77,451	78,071	33,392	33,266	110,843	111,337
Restricted	10,496	5,888	-	-	10,496	5,888
Unrestricted	<u>(59,192)</u>	<u>(51,727)</u>	<u>6,954</u>	<u>4,921</u>	<u>(52,238)</u>	<u>(46,806)</u>
Total net position	<u>\$ 28,755</u>	<u>\$ 32,232</u>	<u>\$ 40,346</u>	<u>\$ 38,187</u>	<u>\$ 69,101</u>	<u>\$ 70,419</u>

CHANGES IN NET POSITION

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program revenues:						
Charges for services	\$ 4,525	\$ 3,560	\$ 4,668	\$ 6,572	\$ 9,193	\$ 10,132
Operating grants and contributions	19,745	16,359	-	-	19,745	16,359
Capital grants and contributions	77	1,930	2,214	-	2,291	1,930
General revenues:						
Property taxes	52,441	51,935	-	-	52,441	51,935
Excises	3,407	3,356	-	-	3,407	3,356
Penalties and interest and other taxes	530	662	-	-	530	662
Grants and contributions not restricted to specific programs	2,469	2,419	-	-	2,469	2,419
Investment income	250	92	30	11	280	103
Other	4,206	8,587	-	-	4,206	8,587
Total revenues	<u>87,650</u>	<u>88,900</u>	<u>6,912</u>	<u>6,583</u>	<u>94,562</u>	<u>95,483</u>
Expenses:						
General government	15,023	16,114	-	-	15,023	16,114
Public safety	10,729	10,270	-	-	10,729	10,270
Education	55,623	52,141	-	-	55,623	52,141
Public works	5,842	6,431	-	-	5,842	6,431
Health and human services	1,114	983	-	-	1,114	983
Culture and recreation	851	821	-	-	851	821
Interest and costs	1,120	1,131	-	-	1,120	1,131
Intergovernmental	807	811	-	-	807	811
Water services	-	-	3,096	2,707	3,096	2,707
Sewer services	-	-	566	542	566	542
Trash services	-	-	1,109	982	1,109	982
Total expenses	<u>91,109</u>	<u>88,702</u>	<u>4,771</u>	<u>4,231</u>	<u>95,880</u>	<u>92,933</u>
Change in net position before transfers and loss	(3,459)	198	2,141	2,352	(1,318)	2,550
Transfers in (out)	<u>(18)</u>	<u>345</u>	<u>18</u>	<u>(345)</u>	<u>-</u>	<u>-</u>
Change in net position	(3,477)	543	2,159	2,007	(1,318)	2,550
Net position - beginning of year	<u>32,232</u>	<u>31,689</u>	<u>38,187</u>	<u>36,180</u>	<u>70,419</u>	<u>67,869</u>
Net position - end of year	<u>\$ 28,755</u>	<u>\$ 32,232</u>	<u>\$ 40,346</u>	<u>\$ 38,187</u>	<u>\$ 69,101</u>	<u>\$ 70,419</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$69,101, a change of \$(1,318) from the prior year.

The largest portion of net position \$110,843 reflects our investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$10,496, 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 \$(52,238) primarily resulting from the Town's unfunded net pension liability and net OPEB obligation.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(3,477). Key elements of this change are as follows (in thousands):

Community Preservation fund excess of revenues over expenditures	\$ 705
Depreciation in excess of debt service principal paydown	(2,199)
Capital asset additions from current year revenues	2,191
Change in OPEB obligation	(5,025)
Change in net pension liability	(3,889)
Change in pension deferred outflows/(inflows)	4,732
Other	<u>8</u>
Total	<u>\$ (3,477)</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$2,158.

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$13,721, a change of \$5,310 in comparison to the prior year. Key elements of this change are as follows:

General fund excess of expenditures over revenues	\$ (273)
Community Preservation fund excess of revenues over expenditures	705
Special revenue funds:	
Avalon Bay Mitigation funds	650
SMHG Final Distribution funds	895
FEMA Reimbursement - DPW	301
Oliver Ames trust funds - Highway	255
Oliver Ames trust funds - School	170
CPA proceeds for Gill Land purchase expended in prior year	2,600
Other	<u>7</u>
Total	<u>\$ 5,310</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 \$4,581, while total fund balance was \$7,050. 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>6/30/16</u>	<u>6/30/15</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 4,581	\$ 3,524	\$ 1,057	6.4%
Total fund balance	\$ 7,050	\$ 5,883	\$ 1,167	9.9%

The total fund balance of the general fund changed by \$1,167 during the current fiscal year. Key factors in this change are as follows:

Use of free cash and overlay surplus as a funding source	\$ (2,160)
Change in Stabilization funds	252
Revenues in excess of budget	1,512
Expenditures less than budget	807
Prior year deficits raised (snow and ice)	301
Change in encumbrances	430
Other	<u>25</u>
Total	<u>\$ 1,167</u>

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

	<u>6/30/16</u>	<u>6/30/15</u>	<u>Change</u>
General stabilization	\$ 1,616	\$ 1,373	\$ 243
Capital stabilization	<u>440</u>	<u>431</u>	<u>9</u>
Total	<u>\$ 2,056</u>	<u>\$ 1,804</u>	<u>\$ 252</u>

The change in the stabilization funds consists of transfers in of \$989 (\$500 from the General fund and \$489 from the SMHG fund) and transfers out to the General fund of \$797, as well as, interest income.

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 \$6,954, a change of \$2,033 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 \$1,508. Major reasons for these amendments include:

- \$500 transfer to Stabilization funded by free cash
- \$451 increase to various departmental budgets, funded by free cash, transfers, and overlay surplus
- \$147 net increase in various departmental budgets, funded by taxes and reduction in intergovernmental revenues
- \$409 increases to capital budget funded by free cash and transfers

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$157,563 (net of accumulated depreciation), a change of \$2,146 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:

- ESCO capital project \$2,064.
- Main Street revitalization \$192.
- Town Hall masonry project \$284.
- Construction and repair of the Moreau Hall roof \$767.
- Purchase of ambulance \$282.
- Purchase of various department vehicles \$261.
- Highway infrastructure improvements of approximately \$1,647.
- Sewer WWTP capacity project \$2,635.
- Corners sewer project \$1,636.

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 \$39,480, 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, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current:			
Cash and short-term investments	\$ 16,003,597	\$ 5,256,633	\$ 21,260,230
Investments	5,996,423	-	5,996,423
Receivables, net of allowance for uncollectibles:			
Property taxes	674,181	-	674,181
Excise	427,308	-	427,308
Charges for service	-	1,067,308	1,067,308
Betterments	1,408,661	3,404,760	4,813,421
Departmental and other	1,484,232	-	1,484,232
Intergovernmental	1,440,233	-	1,440,233
Inventories	-	93,146	93,146
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	623,032	-	623,032
Intergovernmental	983,976	-	983,976
Loan receivable	4,928,603	-	4,928,603
Capital assets, not being depreciated	23,463,488	7,587,642	31,051,130
Capital assets, being depreciated net of accumulated depreciation	91,418,977	35,092,995	126,511,972
DEFERRED OUTFLOWS OF RESOURCES	<u>7,411,873</u>	<u>128,949</u>	<u>7,540,822</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	156,264,584	52,631,433	208,896,017
LIABILITIES			
Current:			
Warrants payable	1,776,312	-	1,776,312
Accrued liabilities	1,104,020	89,951	1,193,971
Deposits held in custody	82,664	-	82,664
Notes payable	5,514,841	5,105,000	10,619,841
Other current liabilities	591,294	-	591,294
Current portion of long-term liabilities:			
Bonds payable	4,723,063	304,705	5,027,768
Accrued employee benefits	33,677	5,969	39,646
Estimated landfill closure and postclosure liability	50,000	-	50,000
Noncurrent:			
Bonds payable	29,247,006	5,204,950	34,451,956
Accrued employee benefits	639,871	117,769	757,640
Estimated landfill closure and postclosure liability	750,000	-	750,000
Net OPEB obligation	45,862,005	817,943	46,679,948
Net pension liability	35,605,698	619,450	36,225,148
DEFERRED INFLOWS OF RESOURCES	<u>1,528,900</u>	<u>20,083</u>	<u>1,548,983</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	127,509,351	12,285,820	139,795,171
NET POSITION			
Net investment in capital assets	77,451,005	33,391,712	110,842,717
Restricted for:			
Grants and other statutory restrictions	10,446,652	-	10,446,652
Permanent funds:			
Nonexpendable	33,152	-	33,152
Expendable	15,937	-	15,937
Unrestricted	<u>(59,191,513)</u>	<u>6,953,901</u>	<u>(52,237,612)</u>
TOTAL NET POSITION	<u>\$ 28,755,233</u>	<u>\$ 40,345,613</u>	<u>\$ 69,100,846</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, 2016

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General government	\$ 15,022,818	\$ 246,069	\$ 90,581	\$ -	\$ (14,686,168)	\$ -	\$ (14,686,168)
Public safety	10,728,740	3,237,409	82,312	-	(7,409,019)	-	(7,409,019)
Education	55,622,986	736,358	18,825,277	-	(36,061,351)	-	(36,061,351)
Public works	5,841,817	-	454,808	77,495	(5,309,514)	-	(5,309,514)
Health and human services	1,114,153	155,980	254,703	-	(703,470)	-	(703,470)
Culture and recreation	850,974	148,751	37,071	-	(665,152)	-	(665,152)
Interest	1,119,827	-	-	-	(1,119,827)	-	(1,119,827)
Intergovernmental	807,459	-	-	-	(807,459)	-	(807,459)
Total Governmental Activities	91,108,774	4,524,567	19,744,752	77,495	(66,761,960)	-	(66,761,960)
Business-Type Activity:							
Water services	3,095,924	3,164,361	-	-	-	68,437	68,437
Sewer services	565,873	389,268	-	2,214,000	-	2,037,395	2,037,395
Non-major trash services	1,109,190	1,113,696	-	-	-	4,506	4,506
Total Business-Type Activities	4,770,987	4,667,325	-	2,214,000	-	2,110,338	2,110,338
Total Primary Government	\$ 95,879,761	\$ 9,191,892	\$ 19,744,752	\$ 2,291,495	(66,761,960)	2,110,338	(64,651,622)
General Revenues and Transfers:							
Property taxes					52,440,424	-	52,440,424
Excises					3,407,103	-	3,407,103
Penalties, interest and other taxes					530,455	-	530,455
Grants and contributions not restricted to specific programs					2,469,055	-	2,469,055
Investment income					250,260	29,909	280,169
Miscellaneous					4,205,745	-	4,205,745
Transfers, net					(18,035)	18,035	-
Total general revenues and transfers					63,285,007	47,944	63,332,951
Change in Net Position					(3,476,953)	2,158,282	(1,318,671)
Net Position:							
Beginning of year					32,232,186	38,187,331	70,419,517
End of year					\$ 28,755,233	\$ 40,345,613	\$ 69,100,846

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

TOWN OF EASTON, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2016

	<u>General</u>	Community Preservation <u>Fund</u>	ESCO Capital Project <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS					
Cash and short-term investments	\$ 7,309,201	\$ 667,722	\$ 1,077,812	\$ 6,948,862	\$ 16,003,597
Investments	2,373,293	3,623,130	-	-	5,996,423
Receivables:					
Property taxes	1,438,432	-	-	-	1,438,432
Excises	679,797	-	-	-	679,797
Betterments	-	-	-	1,408,661	1,408,661
Departmental	2,011,095	7,574	-	68,928	2,087,597
Intergovernmental	138,126	-	-	318,127	456,253
Loan receivable	-	4,928,603	-	-	4,928,603
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ <u>13,949,944</u>	\$ <u>9,227,029</u>	\$ <u>1,077,812</u>	\$ <u>8,744,578</u>	\$ <u>32,999,363</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
LIABILITIES					
Warrants payable	\$ 1,776,312	\$ -	\$ -	\$ -	\$ 1,776,312
Accrued liabilities	791,002	-	176,033	-	967,035
Deposits held in custody	-	-	-	82,664	82,664
Notes payable	-	-	3,180,000	2,334,841	5,514,841
Other liabilities	415,261	-	-	-	415,261
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	2,982,575	-	3,356,033	2,417,505	8,756,113
DEFERRED INFLOWS OF RESOURCES	3,917,590	4,936,177	-	1,668,375	10,522,142
FUND BALANCES					
Nonspendable	-	-	-	33,152	33,152
Restricted	-	4,290,852	-	6,369,861	10,660,713
Committed	1,200,645	-	-	-	1,200,645
Assigned	1,268,609	-	-	-	1,268,609
Unassigned	4,580,525	-	(2,278,221)	(1,744,315)	557,989
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	7,049,779	4,290,852	(2,278,221)	4,658,698	13,721,108
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ <u>13,949,944</u>	\$ <u>9,227,029</u>	\$ <u>1,077,812</u>	\$ <u>8,744,578</u>	\$ <u>32,999,363</u>

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

TOWN OF EASTON, MASSACHUSETTS

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

JUNE 30, 2016

Total governmental fund balances	\$ 13,721,108
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	114,882,465
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	9,525,069
• Deferred outflows of resources related to pensions resulting from changes in projected vs. actual earnings, expected and actual experience and changes in proportion will be recognized as a increase in pension expense in the years ending June 30, 2017 through June 30, 2020.	7,411,873
• Deferred inflows of resources related to pensions resulting from changes in assumptions will be recognized as a reduction in pension expense in the years ending June 30, 2017 through June 30, 2020.	(1,154,355)
• Deferred inflows of resources related to gain on refunding.	(374,545)
• 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.	1,967,956
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(313,018)
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable	(33,970,069)
Net OPEB obligation	(45,862,005)
Net pension liability	(35,605,698)
Compensated absences liability	(673,548)
Landfill liability	<u>(800,000)</u>
Net position of governmental activities	<u>\$ 28,755,233</u>

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

TOWN OF EASTON, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2016

	<u>General</u>	Community Preservation <u>Fund</u>	ESCO Capital Project <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:					
Property taxes	\$ 50,415,198	\$ 1,107,466	\$ -	\$ 71,267	\$ 51,593,931
Excises	3,434,256	-	-	-	3,434,256
Departmental	1,634,610	-	-	1,597,290	3,231,900
Licenses and permits	1,355,970	-	-	-	1,355,970
Fines and forfeitures	345,635	2,322	-	-	347,957
Intergovernmental	13,032,722	364,826	-	5,101,024	18,498,572
Investment income	111,007	135,253	-	186,498	432,758
Other	836,448	87,134	-	3,279,990	4,203,572
Total Revenues	71,165,846	1,697,001	-	10,236,069	83,098,916
Expenditures:					
Current:					
General government	13,776,554	515,966	-	672,686	14,965,206
Public safety	8,909,560	-	-	706,752	9,616,312
Education	38,601,895	-	-	4,767,158	43,369,053
Public works	3,011,728	-	-	1,970,064	4,981,792
Human services	983,540	-	-	59,341	1,042,881
Culture and recreation	520,981	-	-	192,108	713,089
Debt service	4,814,157	362,195	-	-	5,176,352
Intergovernmental	807,459	-	-	-	807,459
Capital outlay	12,651	114,250	2,240,330	496,324	2,863,555
Total Expenditures	71,438,525	992,411	2,240,330	8,864,433	83,535,699
Excess (deficiency) of revenues over expenditures	(272,679)	704,590	(2,240,330)	1,371,636	(436,783)
Other Financing Sources (Uses):					
Issuance of debt	-	2,600,000	-	3,165,000	5,765,000
Transfers in	1,488,421	-	-	211,201	1,699,622
Transfers out	(49,237)	(140,000)	-	(1,528,421)	(1,717,658)
Total Other Financing Sources (Uses)	1,439,184	2,460,000	-	1,847,780	5,746,964
Change in fund balance	1,166,505	3,164,590	(2,240,330)	3,219,416	5,310,181
Fund Balance, at Beginning of Year, reclassified	5,883,274	1,126,262	(37,891)	1,439,282	8,410,927
Fund Balance, at End of Year	\$ 7,049,779	\$ 4,290,852	\$ (2,278,221)	\$ 4,658,698	\$ 13,721,108

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, 2016

Net changes in fund balances - Total governmental funds	\$ 5,310,181																
<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;">Capital outlay asset acquisitions, net of disposals</td> <td style="text-align: right;">4,767,702</td> </tr> <tr> <td>Depreciation expense</td> <td style="text-align: right;">(6,156,828)</td> </tr> </table> • Increase in deferred outflows of resources related to net pension liability 5,885,922 • 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. (590,514) • Increase in deferred inflows of resources related to net pension liability (1,154,355) • 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. (983,980) • 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;">(5,765,000)</td> </tr> <tr> <td>Repayments of debt</td> <td style="text-align: right;">3,957,786</td> </tr> </table> • In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 61,282 • Deferred debt loss is recognized on an accrual basis in the statement of net assets, not the modified accrual basis 37,455 • 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;">(5,024,596)</td> </tr> <tr> <td>Increase in net pension liability</td> <td style="text-align: right;">(3,889,324)</td> </tr> <tr> <td>Decrease in compensated absence liability</td> <td style="text-align: right;">17,316</td> </tr> <tr> <td>Decrease in landfill liability</td> <td style="text-align: right;"><u>50,000</u></td> </tr> </table> 		Capital outlay asset acquisitions, net of disposals	4,767,702	Depreciation expense	(6,156,828)	Issuance of debt, net of refunding	(5,765,000)	Repayments of debt	3,957,786	Increase in net OPEB obligation	(5,024,596)	Increase in net pension liability	(3,889,324)	Decrease in compensated absence liability	17,316	Decrease in landfill liability	<u>50,000</u>
Capital outlay asset acquisitions, net of disposals	4,767,702																
Depreciation expense	(6,156,828)																
Issuance of debt, net of refunding	(5,765,000)																
Repayments of debt	3,957,786																
Increase in net OPEB obligation	(5,024,596)																
Increase in net pension liability	(3,889,324)																
Decrease in compensated absence liability	17,316																
Decrease in landfill liability	<u>50,000</u>																
Change in net position of governmental activities	\$ <u>(3,476,953)</u>																

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

TOWN OF EASTON, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues and Transfers In:				
Property taxes	\$ 50,156,492	\$ 50,337,504	\$ 50,337,504	\$ -
Motor vehicle excise	3,075,000	3,075,000	3,434,256	359,256
Licenses, permits and fees	2,035,000	2,035,000	2,990,580	955,580
Fines and forfeitures	353,000	353,000	345,635	(7,365)
Intergovernmental	13,080,853	13,047,167	13,032,722	(14,445)
Investment income	25,000	25,000	34,473	9,473
Other revenue	669,592	669,592	878,447	208,855
Transfers in	1,893,661	2,343,871	2,344,846	975
Total Revenues and Other Sources	71,288,598	71,886,134	73,398,463	1,512,329
Expenditures and Transfers Out:				
General government	14,409,170	14,603,684	14,381,881	221,803
Public safety	8,826,249	8,997,159	8,823,242	173,917
Education	38,863,629	38,863,629	38,572,763	290,866
Public works	2,590,555	2,629,655	2,620,630	9,025
Snow and ice removal	388,700	488,700	488,700	-
Health and human services	885,573	1,013,559	977,275	36,284
Culture and recreation	520,981	520,981	520,981	-
Capital outlay	-	409,090	409,090	-
Debt service	4,882,905	4,882,905	4,837,030	45,875
Intergovernmental	870,357	836,671	807,459	29,212
Transfers out	-	500,000	500,000	-
Total Expenditures and Other Uses	72,238,119	73,746,033	72,939,051	806,982
Excess of revenues and transfers in over expenditures and transfers out	(949,521)	(1,859,899)	459,412	2,319,311
Other Financing Sources/(Uses):				
Use of free cash				
For operating budget	1,200,000	1,313,288	-	(1,313,288)
For capital budget	10,055	267,145	-	(267,145)
For stabilization funding	-	500,000	500,000	-
Use of other sources				
For operating budget	-	40,000	-	(40,000)
For capital budget	40,000	40,000	-	(40,000)
Raise prior year deficits	(300,534)	(300,534)	-	300,534
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 959,412	\$ 959,412

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

TOWN OF EASTON, MASSACHUSETTS

PROPRIETARY FUND

STATEMENT OF NET POSITION

JUNE 30, 2016

	Business-Type Activities Enterprise Fund			<u>Total</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Nonmajor Fund</u>	
ASSETS				
Current:				
Cash and short-term investments	\$ 2,417,143	\$ 2,570,645	\$ 268,845	\$ 5,256,633
Receivables:				
Charges for service, net of allowance for uncollectibles	1,011,033	1,116	55,159	1,067,308
Betterments	-	3,404,760	-	3,404,760
Inventory	<u>93,146</u>	<u>-</u>	<u>-</u>	<u>93,146</u>
Total current assets	3,521,322	5,976,521	324,004	9,821,847
Noncurrent:				
Capital assets, not being depreciated	3,118,557	4,469,085	-	7,587,642
Capital assets being depreciated, net of accumulated depreciation	<u>29,602,171</u>	<u>5,490,824</u>	<u>-</u>	<u>35,092,995</u>
Total noncurrent assets	32,720,728	9,959,909	-	42,680,637
DEFERRED OUTFLOWS OF RESOURCES	<u>128,949</u>	<u>-</u>	<u>-</u>	<u>128,949</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	36,370,999	15,936,430	324,004	52,631,433
LIABILITIES				
Current:				
Accrued liabilities	32,248	57,703	-	89,951
Notes payable	400,000	4,705,000	-	5,105,000
Current portion of long-term liabilities:				
Bonds payable	190,000	114,705	-	304,705
Accrued employee benefits	<u>5,969</u>	<u>-</u>	<u>-</u>	<u>5,969</u>
Total current liabilities	628,217	4,877,408	-	5,505,625
Noncurrent:				
Bonds payable	1,312,000	3,892,950	-	5,204,950
Accrued employee benefits	117,769	-	-	117,769
Net OPEB obligation	817,943	-	-	817,943
Net pension liability	<u>619,450</u>	<u>-</u>	<u>-</u>	<u>619,450</u>
Total noncurrent liabilities	2,867,162	3,892,950	-	6,760,112
DEFERRED INFLOWS OF RESOURCES	<u>20,083</u>	<u>-</u>	<u>-</u>	<u>20,083</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	3,515,462	8,770,358	-	12,285,820
NET POSITION				
Net investment in capital assets	31,295,665	2,096,047	-	33,391,712
Unrestricted	<u>1,559,872</u>	<u>5,070,025</u>	<u>324,004</u>	<u>6,953,901</u>
TOTAL NET POSITION	<u>\$ 32,855,537</u>	<u>\$ 7,166,072</u>	<u>\$ 324,004</u>	<u>\$ 40,345,613</u>

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

TOWN OF EASTON, MASSACHUSETTS

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities Enterprise Fund			
	Water Fund	Sewer Fund	Nonmajor Fund	Total
Operating Revenues:				
Charges for services	\$ 3,094,022	\$ 389,087	\$ 1,096,284	\$ 4,579,393
Other	<u>70,339</u>	<u>181</u>	<u>17,412</u>	<u>87,932</u>
Total Operating Revenues	3,164,361	389,268	1,113,696	4,667,325
Operating Expenses:				
Personnel services	1,629,913	-	25,000	1,654,913
Purchase of services	574,606	129,761	1,083,690	1,788,057
Depreciation	<u>837,939</u>	<u>312,835</u>	<u>-</u>	<u>1,150,774</u>
Total Operating Expenses	<u>3,042,458</u>	<u>442,596</u>	<u>1,108,690</u>	<u>4,593,744</u>
Operating Income	121,903	(53,328)	5,006	73,581
Nonoperating Revenues (Expenses):				
Investment income	29,909	-	-	29,909
Interest expense	<u>(53,466)</u>	<u>(123,277)</u>	<u>(500)</u>	<u>(177,243)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(23,557)</u>	<u>(123,277)</u>	<u>(500)</u>	<u>(147,334)</u>
Income Before Contributions and Transfers	98,346	(176,605)	4,506	(73,753)
Transfers in	-	18,035	-	18,035
Capital contributions	<u>-</u>	<u>2,214,000</u>	<u>-</u>	<u>2,214,000</u>
Change in Net Position	98,346	2,055,430	4,506	2,158,282
Net Position at Beginning of Year	<u>32,757,191</u>	<u>5,110,642</u>	<u>319,498</u>	<u>38,187,331</u>
Net Position at End of Year	<u>\$ 32,855,537</u>	<u>\$ 7,166,072</u>	<u>\$ 324,004</u>	<u>\$ 40,345,613</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, 2016

	Business-Type Activities Enterprise Funds			<u>Total</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Nonmajor Fund</u>	
<u>Cash Flows From Operating Activities:</u>				
Receipts from customers and users	\$ 3,210,519	\$ 328,940	\$ 1,125,112	\$ 4,664,571
Payments to vendors and employees	(2,163,127)	(129,760)	(1,108,690)	(3,401,577)
Net Cash Provided By Operating Activities	1,047,392	199,180	16,422	1,262,994
<u>Cash Flows From Noncapital Financing Activities:</u>				
Transfers in	-	18,035	-	18,035
Net Cash Provided by Noncapital Financing Activities	-	18,035	-	18,035
<u>Cash Flows From Capital and Related Financing Activities:</u>				
Acquisition and construction of capital assets	(217,268)	(4,469,085)	-	(4,686,353)
Proceeds from issuance of notes	400,000	4,705,000	-	5,105,000
Principal payments on notes	(200,000)	-	-	(200,000)
Principal payments on bonds	(385,000)	(112,395)	(25,000)	(522,395)
Capital contributions	-	2,214,000	-	2,214,000
Interest expense	(52,698)	(90,640)	(500)	(143,838)
Net Cash Provided by (Used For) Capital and Related Financing Activities	(454,966)	2,246,880	(25,500)	1,766,414
<u>Cash Flows From Investing Activities:</u>				
Change in investments	940,809	-	-	940,809
Investment income	29,909	-	-	29,909
Net Cash Provided By Investing Activities	970,718	-	-	970,718
Net Change in Cash and Short-Term Investments	1,563,144	2,464,095	(9,078)	4,018,161
Cash and Short-Term Investments, Beginning of Year	853,999	106,550	277,923	1,238,472
Cash and Short-Term Investments, End of Year	\$ 2,417,143	\$ 2,570,645	\$ 268,845	\$ 5,256,633
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>				
Operating income	\$ 121,903	\$ (53,328)	\$ 5,006	\$ 73,581
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation	837,939	312,835	-	1,150,774
Changes in assets and liabilities:				
Receivables	46,156	(60,327)	11,416	(2,755)
Inventory	(17,216)	-	-	(17,216)
Accrued liabilities	1,092	-	-	1,092
Net pension liability	(14,654)	-	-	(14,654)
Other post employment benefits	72,172	-	-	72,172
Net Cash Provided By Operating Activities	\$ 1,047,392	\$ 199,180	\$ 16,422	\$ 1,262,994

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

TOWN OF EASTON, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2016

	<u>OPEB Trust Fund</u>	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<u>ASSETS</u>			
Cash and short-term investments	\$ 50,201	\$ 147,163	\$ 838,047
Investments	<u>53,565</u>	<u>554,089</u>	<u>-</u>
Total Assets	103,766	701,252	838,047
<u>LIABILITIES AND NET POSITION</u>			
Other liabilities	<u>-</u>	<u>-</u>	<u>838,047</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>838,047</u>
<u>NET POSITION</u>			
Total net position held in trust	\$ <u><u>103,766</u></u>	\$ <u><u>701,252</u></u>	\$ <u><u>-</u></u>

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

TOWN OF EASTON, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>OPEB Trust Fund</u>	<u>Private Purpose Trust Funds</u>
Additions:		
Investment income	\$ 1,139	\$ 24,057
Contributions	<u>50,000</u>	<u>40,379</u>
Total additions	51,139	64,436
Deductions:		
Other	<u>-</u>	<u>50,600</u>
Total deductions	<u>-</u>	<u>50,600</u>
Net increase	51,139	13,836
Net position:		
Beginning of year	<u>52,627</u>	<u>687,416</u>
End of year	<u>\$ 103,766</u>	<u>\$ 701,252</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 2016, 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.
- The *ESCO Capital Project Fund* – This fund accounts for activity associated with the energy efficient upgrades to Town and School buildings.

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 2016 tax levy reflected an excess capacity of \$3,942.

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)	\$ 71,165,846	\$ 71,438,525
Other financing sources/uses (GAAP basis)	<u>1,488,421</u>	<u>49,237</u>
Subtotal (GAAP Basis)	72,654,267	71,487,762
To adjust property tax revenues to the budgetary basis	(170,269)	-
To reverse expenditures of prior year appropriation carryforwards	-	(205,514)
To book current year appropriation carryforwards	-	635,415
To record use of free cash as a funding source for stabilization funding	500,000	-
Other timing issues	118,036	(26,365)
Nonbudgeted items	<u>796,429</u>	<u>1,047,753</u>
Budgetary Basis	<u>\$ 73,898,463</u>	<u>\$ 72,939,051</u>

C. Deficit Fund Equity

The following funds had deficits as of June 30, 2016:

Major Funds:	
ESCO capital project	\$ (2,278,221)
Non-Major Funds:	
Chapter 90 highway	\$ (83,908)
Police detail	(46,318)
Green communities grant	(45,841)
SPED program improvements	(282)
MWPAT septic loan program	(655,866)
Fire EMPG grant	(4,960)
Agriculture Commission	(653)
Oakes Ames School fund	(4,000)
School WWTP upgrade	(22,823)
Capital budget items	(694,686)
Moreau Hall roof	<u>(184,978)</u>
Total Non-Major	<u>\$ (1,744,315)</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, 2016, \$5,646,953 of the Town’s bank balance of \$24,060,933 was exposed to custodial credit risk as uninsured or uncollateralized. \$737,883 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	\$ 1,371	\$ 1,371	\$ -	\$ -
Corporate bonds	986	-	-	986
Corporate equities	999	999	-	-
Mutual funds	365	365	-	-
U.S. Treasury bonds	872	-	872	-
Federal agency securities	<u>2,011</u>	<u>-</u>	<u>2,011</u>	<u>-</u>
Total investments	<u>\$ 6,604</u>	<u>\$ 2,735</u>	<u>\$ 2,883</u>	<u>\$ 986</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	\$ <u>2,011,143</u>
Total	\$ <u><u>2,011,143</u></u>

D. Interest Rate Risk

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u><1</u>	<u>1-5</u>
Debt-related Securities:			
Certificates of deposits	\$ 1,371	\$ 150	\$ 1,221
Corporate bonds	986	202	784
U.S. Treasury bonds	872	-	872
Federal agency securities	<u>2,011</u>	<u>-</u>	<u>2,011</u>
Total	\$ <u><u>5,240</u></u>	\$ <u><u>352</u></u>	\$ <u><u>4,888</u></u>

E. Foreign Currency Risk

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

F. Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72). The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town has the following fair value measurements as of June 30, 2016:

<u>Description</u>	<u>Fair Value Measurements Using:</u>		
		Quoted prices in active markets for identical assets <u>(Level 1)</u>	Significant observable inputs <u>(Level 2)</u>
Investments by fair value level:			
Debt securities			
Corporate bonds	\$ 986	\$ -	\$ 986
U.S. Treasury securities	872	-	872
Federal agency securities	2,011	-	2,011
Equity securities	999	999	-
Mutual funds	<u>365</u>	<u>-</u>	<u>365</u>
Total	<u>\$ 5,233</u>	<u>\$ 999</u>	<u>\$ 4,234</u>

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, 2016 consist of the following (in thousands):

Real Estate		
2016	\$ 393	
2015	<u>2</u>	
		395
Personal Property		
2016	16	
2015	15	
2014	11	
2013	11	
Prior	<u>25</u>	
		78
Tax Liens		936
Deferred Taxes		<u>29</u>
Total		<u>\$ 1,438</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	\$ 141	\$ -
Excises	\$ 252	\$ -
Departmental (Ambulance)	\$ 603	\$ -
Utilities	\$ -	\$ 523

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:

2017	\$	983,980
2018		<u>983,976</u>
Total	\$	<u><u>1,967,956</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, 2016 the outstanding balance on the loan receivable is \$4,928,603 which includes the original loan balance plus accrued interest of \$578,603.

9. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 120,495	\$ 786	\$ -	\$ 121,281
Machinery, equipment, and furnishings	10,152	511	-	10,663
Infrastructure	<u>40,338</u>	<u>1,647</u>	<u>-</u>	<u>41,985</u>
Total capital assets, being depreciated	170,985	2,944	-	173,929
Less accumulated depreciation for:				
Buildings and improvements	(44,158)	(3,868)	-	(48,026)
Machinery, equipment, and furnishings	(7,355)	(676)	-	(8,031)
Infrastructure	<u>(24,840)</u>	<u>(1,613)</u>	<u>-</u>	<u>(26,453)</u>
Total accumulated depreciation	<u>(76,353)</u>	<u>(6,157)</u>	<u>-</u>	<u>(82,510)</u>
Total capital assets, being depreciated, net	94,632	(3,213)	-	91,419
Capital assets, not being depreciated:				
Land	16,171	-	-	16,171
Intangible assets	4,000	-	-	4,000
Construction in progress	<u>1,469</u>	<u>2,563</u>	<u>(740)</u>	<u>3,292</u>
Total capital assets, not being depreciated	<u>21,640</u>	<u>2,563</u>	<u>(740)</u>	<u>23,463</u>
Governmental activities capital assets, net	<u>\$ 116,272</u>	<u>\$ (650)</u>	<u>\$ (740)</u>	<u>\$ 114,882</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 390	\$ -	\$ -	\$ 390
Machinery, equipment, and furnishings	2,038	31	-	2,069
Infrastructure	<u>51,367</u>	<u>153</u>	<u>-</u>	<u>51,520</u>
Total capital assets, being depreciated	53,795	184	-	53,979
Less accumulated depreciation for:				
Buildings and improvements	(307)	(10)	-	(317)
Machinery, equipment, and furnishings	(1,406)	(122)	-	(1,528)
Infrastructure	<u>(16,022)</u>	<u>(1,019)</u>	<u>-</u>	<u>(17,041)</u>
Total accumulated depreciation	<u>(17,735)</u>	<u>(1,151)</u>	<u>-</u>	<u>(18,886)</u>
Total capital assets, being depreciated, net	36,060	(967)	-	35,093
Capital assets, not being depreciated:				
Land	3,085	-	-	3,085
Construction in progress	<u>-</u>	<u>4,503</u>	<u>-</u>	<u>4,503</u>
Total capital assets, not being depreciated	<u>3,085</u>	<u>4,503</u>	<u>-</u>	<u>7,588</u>
Business-type activities capital assets, net	<u>\$ 39,145</u>	<u>\$ 3,536</u>	<u>\$ -</u>	<u>\$ 42,681</u>

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

Governmental Activities:	
General government	\$ 21
Public safety	481
Education	3,771
Public works	1,832
Culture and recreation	23
Health and human services	<u>29</u>
Total depreciation expense - governmental activities	<u>\$ 6,157</u>
Business-Type Activities:	
Water	\$ 838
Sewer	<u>313</u>
Total depreciation expense - business-type activities	<u>\$ 1,151</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, 2016:

	Entity-wide Basis		Fund Basis
	Governmental Activities	Business-type Activities	Proprietary Funds Water
Pension related:			
Differences between expected and actual experience	\$ 1,965,497	\$ 34,195	\$ 34,195
Net difference between projected and actual investment pension earnings	5,367,467	93,381	93,381
Changes in proportion and differences between contributions and proportionate share of contributions	<u>78,909</u>	<u>1,373</u>	<u>1,373</u>
	<u>\$ 7,411,873</u>	<u>\$ 128,949</u>	<u>\$ 128,949</u>

11. Warrants Payable

Warrants payable represent 2016 expenditures paid by July 15, 2016.

12. Anticipation Notes Payable

The Town had the following notes outstanding at June 30, 2016.

	Interest Rate	Date of Issue	Date of Maturity	Balance at 6/30/16
<u>Governmental Activities</u>				
MWPAT Loan - Septic	0.10%	08/14/14	upon completion	\$ 500,000
MWPAT Loan - Septic	2.00%	08/23/15	upon completion	154,841
Moreau Elementary School Roof	2.00%	08/21/15	08/19/16	200,000
DPW Management Road funding	2.00%	08/21/15	08/19/16	500,000
ESCO Energy Efficiency	2.00%	08/21/15	08/19/16	1,900,000
ESCO Energy Efficiency	1.50%	01/29/16	08/19/16	1,280,000
School WWTP upgrade	1.50%	01/29/16	08/19/16	330,000
Ambulance	1.50%	01/29/16	08/19/16	250,000
Hooklift	1.50%	01/29/16	08/19/16	200,000
Municipal Facilities capital improvements	1.50%	01/29/16	08/19/16	<u>200,000</u>
Subtotal				5,514,841
<u>Business-Type Activities</u>				
Wastewater Treatment	2.00%	08/21/15	08/19/16	100,000
Sewer Design	2.00%	08/21/15	08/19/16	245,000
Wastewater Treatment	1.50%	01/29/16	08/19/16	2,870,000
Sewer Design	1.50%	01/29/16	08/19/16	255,000
Wastewater Treatment	1.50%	01/29/16	08/19/16	335,000
Sewer Design	1.50%	01/29/16	08/19/16	900,000
Water Main Replacement Program	2.00%	08/21/15	08/19/16	200,000
Water Well Replacement	2.00%	08/21/15	08/19/16	<u>200,000</u>
Subtotal				<u>5,105,000</u>
Grand Total				<u>\$ 10,619,841</u>

The following summarizes activity in notes payable during fiscal year 2016.

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
<u>Governmental Activities</u>				
MWPAT - Septic	\$ 334,094	\$ 165,906	\$ -	\$ 500,000
MWPAT - Septic	-	154,841	-	154,841
Middle School Roof Replacement	1,080,000	-	(1,080,000)	-
DPW Equipment	436,000	-	(436,000)	-
School SPED Van	47,000	-	(47,000)	-
Moreau Elementary School Roof	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)	-
Moreau Elementary School Roof	-	200,000	-	200,000
DPW Management Road funding	-	500,000	-	500,000
ESCO Energy Efficiency	-	1,900,000	-	1,900,000
ESCO Energy Efficiency	-	1,280,000	-	1,280,000
School WWTP upgrade	-	330,000	-	330,000
Ambulance	-	250,000	-	250,000
Hooklift	-	200,000	-	200,000
Municipal Facilities capital improvements	-	200,000	-	200,000
Subtotal	<u>6,767,589</u>	<u>5,180,747</u>	<u>(6,433,495)</u>	<u>5,514,841</u>
<u>Business-Type Activities</u>				
Wastewater Treatment	-	100,000	-	100,000
Sewer Design	-	245,000	-	245,000
Wastewater Treatment	-	2,870,000	-	2,870,000
Sewer Design	-	255,000	-	255,000
Wastewater Treatment	-	335,000	-	335,000
Sewer Design	-	900,000	-	900,000
Water Well Replacement	-	200,000	-	200,000
Water Main Replacement Program	200,000	200,000	(200,000)	200,000
Subtotal	<u>200,000</u>	<u>5,105,000</u>	<u>(200,000)</u>	<u>5,105,000</u>
Grand Total	<u>\$ 6,967,589</u>	<u>\$ 10,285,747</u>	<u>\$ (6,633,495)</u>	<u>\$ 10,619,841</u>

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 <u>Through</u>	Interest Rate(s) %	Amount Outstanding as of <u>6/30/16</u>
Landfill closure - refunded	2017	2.00	\$ 80,000
MWPAT sewer loan	2020	-	30,284
Landfill closure - refunded	2023	2.00 - 3.00	850,000
School Planning - refunded	2023	2.00 - 3.00	660,000
MWPAT wastewater study	2023	3.00 - 5.00	17,236
Library refunded	2019	4.00 - 5.00	105,000
Landfill closure - refunded	2020	4.00 - 5.00	375,000
Foundry street - refunded	2020	4.00 - 5.00	60,000
Concom Ind - Lewis Farms refunded	2020	4.00 - 5.00	20,000
School construction	2017	4.00 - 5.00	1,025,000
School construction - refunded	2018	4.00 - 5.00	2,550,000
Dean street land purchase	2017	4.00 - 5.00	75,000
Library addition	2020	2.00 - 5.00	150,000
Capital budget - DPW roof	2020	2.00 - 5.00	40,000
School electrical updates	2020	2.00 - 5.00	80,000
Capital budget - stadium	2024	2.00 - 5.00	720,000
School construction	2027	2.00 - 5.00	2,585,000
MWPAT	2033	2.00	264,549
Street Reconstruction	2027	2.00 - 3.00	660,000
Fire Station Roof	2033	2.00 - 3.00	145,000
Ground Water Planning	2017	2.00 - 3.00	25,000
MWPAT - Septic Loan Program	2033	-	170,000
Chestnut Street Land Acquisiton	2033	2.00 - 3.00	2,085,000
School construction	2018	2.00 - 3.00	90,000
Capital budget - Equipment	2022	2.00 - 3.00	225,000
Capital budget - Gov Ames/Middle School Roof/Equipment	2023	3.00 - 3.50	825,000
Capital budget - Main Street/DPW Equipment/Asset Mgmt/School Van	2017-2028	2.00 - 4.00	1,365,000
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	-	475,000
MWPAT 98-1026-C Series 18 Title V	2035	-	475,000
Land acquisition	2035	2.00-3.50	2,600,000
Capital budget - School roofs/departmental equipment	2035	2.00-3.50	<u>3,165,000</u>
			<u>\$ 33,970,069</u>

<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/16</u>
Land - Freitas	2017	3.75 - 4.50	\$ 20,000
Bay Road land acquisition	2026	4.00 - 5.00	30,000
Water main construction	2018	2.00 - 3.00	40,000
Water main construction	2033	2.00 - 3.00	745,000
Water main replacment program	2029	2.00 - 4.00	230,000
Water	2029	2.00 - 4.00	180,000
Bay Road land acquisition - refunded	2026	2.00 - 4.00	257,000
MWPAT	2043	2.40	4,002,655
WWTP & sewage collection facility	2017	2.00 - 4.00	5,000
			<u>\$ 5,509,655</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2016 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 4,273,063	\$ 1,069,913	\$ 5,342,976
2018	4,221,346	920,079	5,141,425
2019	2,908,636	814,164	3,722,800
2020	2,823,931	724,889	3,548,820
2021	2,636,662	624,250	3,260,912
2022 - 2026	12,800,693	1,717,172	14,517,865
2027 - 2031	2,884,368	357,779	3,242,147
2032 - 2035	<u>1,421,370</u>	<u>69,445</u>	<u>1,490,815</u>
Total	<u>\$ 33,970,069</u>	<u>\$ 6,297,691</u>	<u>\$ 40,267,760</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 304,705	\$ 140,600	\$ 445,305
2018	274,066	133,572	407,638
2019	219,476	127,840	347,316
2020	216,939	122,572	339,511
2021	219,454	116,498	335,952
2022 - 2026	1,126,934	488,207	1,615,141
2027 - 2031	993,430	351,099	1,344,529
2032 - 2036	862,120	240,458	1,102,578
2037 - 2041	899,355	127,573	1,026,928
2042 - 2043	<u>393,176</u>	<u>16,042</u>	<u>409,218</u>
Total	<u>\$ 5,509,655</u>	<u>\$ 1,864,461</u>	<u>\$ 7,374,116</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2016, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/15</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/16</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/16</u>
<u>Governmental Activities</u>						
General obligation debt	\$ 32,162	\$ 5,765	\$ (3,957)	\$ 33,970	\$ (4,723)	\$ 29,247
Accrued employee benefits	691	41	(58)	674	(34)	640
Landfill closure	850	-	(50)	800	(50)	750
Net OPEB obligation	40,838	9,618	(4,593)	45,863	-	45,863
Net pension liability	31,716	3,889	-	35,605	-	35,605
Totals	<u>\$ 106,257</u>	<u>\$ 19,313</u>	<u>\$ (8,658)</u>	<u>\$ 116,912</u>	<u>\$ (4,807)</u>	<u>\$ 112,105</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 6,032	\$ -	\$ (522)	\$ 5,510	\$ (305)	\$ 5,205
Accrued employee benefits	123	1	-	124	(6)	118
Net OPEB obligation	746	117	(45)	818	-	818
Net pension liability	551	68	-	619	-	619
Totals	<u>\$ 7,452</u>	<u>\$ 186</u>	<u>\$ (567)</u>	<u>\$ 7,071</u>	<u>\$ (311)</u>	<u>\$ 6,760</u>

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 \$800,000 reported as landfill closure and postclosure care liability at June 30, 2016 represents what it would cost to perform all closure and post-closure care remaining on the closed landfill site in 2016. 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, 2016:

	Entity-wide Basis		Fund Basis			
	Governmental Activities	Business-type Activities	Governmental Funds			Proprietary Funds
			General Fund	CPA	Nonmajor	Water
Unavailable revenues	\$ -	\$ -	\$ 3,917,590	\$ 4,936,177	\$ 1,668,375	\$ -
Gain on refunding	374,545	-	-	-	-	-
Pension related:						
Changes in assumptions	<u>1,154,355</u>	<u>20,083</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,083</u>
	<u>\$ 1,528,900</u>	<u>\$ 20,083</u>	<u>\$ 3,917,590</u>	<u>\$ 4,936,177</u>	<u>\$ 1,668,375</u>	<u>\$ 20,083</u>

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, 2016:

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, 2016:

	General Fund	Community Preservation Funds	ESCO Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Nonexpendable permanent funds	\$ -	\$ -	\$ -	\$ 33,152	\$ 33,152
Total Nonspendable	-	-	-	33,152	33,152
Restricted					
Bonded projects	-	-	-	198,125	198,125
Special revenue funds					
FEMA reimbursement - DPW	-	-	-	201,182	201,182
KFD extended day	-	-	-	290,875	290,875
Custodial revolving	-	-	-	141,897	141,897
SPED revolving	-	-	-	289,172	289,172
Athletic revolving - gate receipts	-	-	-	115,037	115,037
Athletic revolving	-	-	-	182,511	182,511
Mitigation funds- Avalon Bay	-	-	-	650,000	650,000
Oliver Ames Trust - highway	-	-	-	301,289	301,289
Oliver Ames Trust - school	-	-	-	196,186	196,186
SMHG final distribution	-	-	-	117,930	117,930
SPED circuit breaker	-	-	-	872,184	872,184
Septic loan betterments	-	-	-	440,737	440,737
Other special revenues	-	-	-	876,210	876,210
Expendable permanent funds					
Conservation trust	-	-	-	170,443	170,443
Affordable housing trust - CPA	-	-	-	1,119,104	1,119,104
Other expendable trusts	-	-	-	206,979	206,979
Community preservation funds	-	4,290,852	-	-	4,290,852
Total Restricted	-	4,290,852	-	6,369,861	10,660,713
Committed					
Nonlapsing capital appropriations	760,664	-	-	-	760,664
Capital stabilization funds	439,981	-	-	-	439,981
Total Committed	1,200,645	-	-	-	1,200,645
Assigned					
Encumbrances	312,852	-	-	-	312,852
For next year's expenditures	955,757	-	-	-	955,757
Total Assigned	1,268,609	-	-	-	1,268,609
Unassigned					
General fund	2,964,452	-	-	-	2,964,452
General stabilization	1,616,073	-	-	-	1,616,073
Deficits	-	-	(2,278,221)	(1,744,315)	(4,022,536)
Total Unassigned	4,580,525	-	(2,278,221)	(1,744,315)	557,989
Total Fund Balance	\$ 7,049,779	\$ 4,290,852	\$ (2,278,221)	\$ 4,658,698	\$ 13,721,108

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 2016:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,488,421	\$ 49,237
Community Preservation Fund	-	140,000
Nonmajor Funds:		
Special Revenues Funds:		
Receipts Reserved	-	151,000
Oliver Ames Trust - Highway	-	300,000
Oliver Ames Trust - School	-	125,000
SMHG Final Distribution	-	726,816
FEMA Reimbursement - DPW	-	100,000
Other SRF	-	119,580
Capital Project Funds:		
Other Capital Projects	31,201	-
Trust Funds:		
Expendable	<u>180,000</u>	<u>6,025</u>
Subtotal Nonmajor Funds	211,201	1,528,421
<u>Business-Type Funds:</u>		
Sewer Fund	<u>18,035</u>	<u>-</u>
Subtotal Business-Type Funds	<u>18,035</u>	<u>-</u>
Grand Total	<u>\$ 1,717,657</u>	<u>\$ 1,717,658</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs and accounted for in other funds in accordance with budgetary authorizations. Transfers from the Oliver Ames trusts and other SRF are recurring annual revenues whereas; transfers from the SMHG and FEMA funds are one time revenues. The SMHG fund transferred \$488,606 to the Stabilization fund.

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, 2016, 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	\$ 1,520,000	2.00 - 4.00%	8/18/16	8/15/30
Bond anticipation notes	\$ 10,280,000	2.00%	8/19/16	8/18/17

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 - On an ongoing basis, there are typically pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of these issues 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 2016 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2016, 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)	\$ 7,975,474
Interest on net OPEB obligation	1,759,432
Adjustment to ARC	<u>(1,791,435)</u>
Annual OPEB cost	7,943,471
Contributions made	<u>(2,846,703)</u>
Increase in net OPEB obligation	5,096,768
Net OPEB obligation - beginning of year	<u>41,583,180</u>
Net OPEB obligation - end of year	<u>\$ 46,679,948</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>
2016	\$ 7,943,471	36%	\$ 46,679,948
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

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>243.49%</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 OPEB 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.

Participant Retirement Benefits

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 annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, 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. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Town/City employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4, have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

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 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

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.

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

Participants 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 on or 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%

For those members entering a Massachusetts System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

Employer Contributions

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, 2016 was \$3,494,709, which was equal to its annual required contribution.

B. 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.

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

At June 30, 2016, the Town reported a liability of \$36,225,148 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. 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, 2015, the Town's proportion was 10.768%.

For the year ended June 30, 2016, the Town recognized pension expense of \$4,423,874. 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>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,999,692	\$ -
Changes of assumptions	-	1,174,438
Net difference between projected and actual earnings on pension plan investments	5,460,848	-
Changes in proportion and differences between contributions and proportionate share of contributions	<u>80,282</u>	<u>-</u>
Total	<u>\$ 7,540,822</u>	<u>\$ 1,174,438</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:	<u>Net deferred outflows (inflows) of resources</u>
2017	\$ 1,697,608
2018	1,697,608
2019	1,697,608
2020	<u>1,273,560</u>
Total	<u>\$ 6,366,384</u>

D. Actuarial Assumptions:

The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	4.00%
Salary increases	2.75% - 5.50%
Investment rate of return	7.75%

Mortality rates were as follows:

- Pre-retirement - reflects RP-2014 Blue Collar Mortality Table with Scale MP-2014, fully generational.
- Health Retiree – Group 1&2 retirees are represented by the RP-2014 Blue Collar Mortality Table set forward five years for males

and three years for females, fully generational. Group 4 retirees are represented by the RP-2014 Blue Collar Mortality Table set forward three years for males and six years for females, fully generational.

- Disabled Retiree – Group 1 & 2 disabled retirees are represented by the RP-2000 Mortality Table set forward six years. Group 4 disabled retirees are represented by RP-2000 Mortality Table set forward two years. Generational adjusting is based on Scale MP-2014.

The actuarial assumptions used in the January 1, 2016 valuation were based on the results of the most recent actuarial experience study, which was for the period January 1, 2015 through December 31, 2015.

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>	

E. Discount Rate

The discount rate used to measure the total pension liability was 7.75%. 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.

F. 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 (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
June 30, 2016	\$ 47,366,165	\$ 36,225,148	\$ 26,848,326

G. 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, 2015 measurement date was determined by an actuarial valuation as of January 1, 2015 rolled forward to June 30, 2015. This valuation used the following assumptions:

- (a) 7.5% 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-2014 Employees table projected generationally with Scale BB and a base year of 2014 (gender distinct)
 - Post-retirement - reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 (gender distinct)
 - Disability – reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year 2014 set forward 4 years

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, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return 2015</u>
Global equity	40.0%	6.9%
Core fixed income	13.0%	2.4%
Private equity	10.0%	8.5%
Real estate	10.0%	6.5%
Value added fixed income	10.0%	5.8%
Hedge funds	9.0%	5.8%
Portfolio completion strategies	4.0%	5.5%
Timber/natural resources	4.0%	6.6%
Total	<u>100.0%</u>	

E. Discount Rate

The discount rate used to measure the total pension liability was 7.5%. 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 6.5%</u>	<u>Current Discount Rate 7.5%</u>	<u>1% Increase to 8.5%</u>
June 30, 2015	\$ 25,449,000	\$ 20,489,643	\$ 16,221,000

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 2015 (the most recent measurement period), the Commonwealth's proportionate share of the MTRS' collective net pension liability and pension expense was \$75,494,322 and \$6,123,261 respectively, based on a proportionate share of 0.368451%. 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 Fund Balance Reclassification

The Town's major governmental funds for fiscal year 2016, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Fund Equity 6/30/15 (as previously <u>reported</u>)	<u>Reclassification</u>	Fund Equity 6/30/15 (<u>as restated</u>)
<u>Governmental Funds</u>			
General Fund	\$ 5,883,274	\$ -	\$ 5,883,274
Community Preservation Fund	1,126,262	-	1,126,262
ESCO Capital Project Fund	-	(37,891)	(37,891)
Nonmajor Governmental Funds	<u>1,401,391</u>	<u>37,891</u>	<u>1,439,282</u>
Total	<u>\$ 8,410,927</u>	<u>\$ -</u>	<u>\$ 8,410,927</u>

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

June 30, 2016

(Unaudited)

(Amounts Expressed in thousands)

Other Post-Employment Benefits						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
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, 2016
(Unaudited)

Bristol County Retirement System

Fiscal Year	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2016	10.768%	\$36,225,148	\$ 16,827,462	215.27%	62.90%
June 30, 2015	10.657%	\$30,449,433	\$ 16,022,954	190.04%	67.11%

Massachusetts Teachers' Retirement System

Fiscal Year	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town	Total Net Pension Liability Associated with the Town	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2016	0.368451%	\$ -	\$ 75,494,322	\$ 75,494,322	\$ 23,355,696	0.00%	55.3.8%
June 30, 2015	0.369260%	\$ -	\$ 58,698,919	\$ 58,698,919	\$ 22,641,155	0.00%	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 PENSION CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2016
(Unaudited)**

Bristol County Retirement System

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2016	\$ 3,494,709	\$ 3,494,709	\$ -	\$ 16,827,462	20.77%
June 30, 2015	\$ 3,093,467	\$ 3,093,467	\$ -	\$ 16,022,954	19.31%

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

See Independent Auditors' Report.