

TOWN OF WESTFORD, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2016

Town of Westford, Massachusetts

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Westford, 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 Westford, 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 Westford, 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 December 20, 2016 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Melanson Heath

December 20, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Westford, Massachusetts, we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2016.

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. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The Statement of Net Position presents information on all assets and liabilities, with the difference between the two reported as net 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 position changed during the most recent fiscal year. All changes in net position are 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, education, public works, health and human services, culture and recreation, employee benefits, interest, and intergovernmental. The business-type activities include water, ambulance, and recreation 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 government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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:

Enterprise funds are 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, ambulance, and recreation operations.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for water, ambulance, and recreation operations, which are considered to be major funds.

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 of assets exceeded liabilities by \$185,218,058 (i.e., net position), a change of \$(1,531,524) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$36,682,793, a change of \$(1,862,048) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$8,858,548, a change of \$(1,596,528) in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$46,137,022, a change of \$(6,812,786) 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.

	<u>NET POSITION</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 46,288	\$ 47,309	\$ 10,595	\$ 10,058	\$ 56,883	\$ 57,367
Capital assets	225,306	226,649	41,597	42,045	266,903	268,694
Deferred outflow of resources	<u>3,463</u>	<u>141</u>	<u>105</u>	<u>4</u>	<u>3,568</u>	<u>145</u>
Total assets and deferred outflows	275,057	274,099	52,297	52,107	327,354	326,206
Long-term liabilities outstanding	115,028	112,096	10,884	11,789	125,912	123,885
Other liabilities	<u>13,938</u>	<u>13,084</u>	<u>2,286</u>	<u>2,487</u>	<u>16,224</u>	<u>15,571</u>
Total liabilities	128,966	125,180	13,170	14,276	142,136	139,456
Net position:						
Net investment in capital assets	187,101	185,746	31,234	31,215	218,335	216,961
Restricted	6,902	6,459	-	-	6,902	6,459
Unrestricted	<u>(47,912)</u>	<u>(43,286)</u>	<u>7,893</u>	<u>6,616</u>	<u>(40,019)</u>	<u>(36,670)</u>
Total net position	<u>\$ 146,091</u>	<u>\$ 148,919</u>	<u>\$ 39,127</u>	<u>\$ 37,831</u>	<u>\$ 185,218</u>	<u>\$ 186,750</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	\$ 5,972	\$ 5,485	\$ 6,744	\$ 6,463	\$ 12,716	\$ 11,948
Operating grants and contributions	23,204	28,174	-	-	23,204	28,174
Capital grants and contributions	2,052	710	-	-	2,052	710
General revenues:						
Property taxes	71,179	69,813	-	-	71,179	69,813
Excises	3,589	3,391	-	-	3,589	3,391
Penalties and interest on taxes	1,465	1,455	-	-	1,465	1,455
Grants and contributions not restricted to specific programs	2,096	2,023	-	-	2,096	2,023
Intergovernmental	-	-	217	205	217	205
Investment income	681	204	57	24	738	228
Other	1,182	1,264	80	78	1,262	1,342
Total revenues	<u>111,420</u>	<u>112,519</u>	<u>7,098</u>	<u>6,770</u>	<u>118,518</u>	<u>119,289</u>
Expenses:						
General government	6,563	6,865	-	-	6,563	6,865
Public safety	9,696	9,452	-	-	9,696	9,452
Education	66,853	69,506	-	-	66,853	69,506
Public works	9,127	9,388	-	-	9,127	9,388
Health and human services	1,434	1,567	-	-	1,434	1,567
Culture and recreation	2,695	1,563	-	-	2,695	1,563
Employee benefits	15,404	14,277	-	-	15,404	14,277
Interest on long-term debt	716	1,022	-	-	716	1,022
Intergovernmental	494	455	-	-	494	455
Water operations	-	-	3,707	3,716	3,707	3,716
Ambulance operations	-	-	1,230	1,221	1,230	1,221
Recreation operations	-	-	1,500	1,480	1,500	1,480
Total expenses	<u>112,982</u>	<u>114,095</u>	<u>6,437</u>	<u>6,417</u>	<u>119,419</u>	<u>120,512</u>
Change in net position before transfers	(1,562)	(1,576)	661	353	(901)	(1,223)
Permanent fund contributions	81	-	-	-	81	-
Transfers in (out)	<u>(1,347)</u>	<u>(1,088)</u>	<u>635</u>	<u>588</u>	<u>(712)</u>	<u>(500)</u>
Change in net position	(2,828)	(2,664)	1,296	941	(1,532)	(1,723)
Net position - beginning of year	<u>148,919</u>	<u>151,583</u>	<u>37,831</u>	<u>36,890</u>	<u>186,750</u>	<u>188,473</u>
Net position - end of year	<u>\$ 146,091</u>	<u>\$ 148,919</u>	<u>\$ 39,127</u>	<u>\$ 37,831</u>	<u>\$ 185,218</u>	<u>\$ 186,750</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 \$185,218,058, a change of \$(1,531,524) from the prior year.

The largest portion of net position \$218,335,030 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), 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 \$6,902,605 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit balance of \$(40,019,577) caused primarily by unfunded net pension liability (See Note 20).

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(2,828,102). Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ (705,068)
Community preservation surplus	877,122
Nonmajor fund surplus - accrual basis	2,886,731
Depreciation expense in excess of principal debt service	(2,522,692)
Accrued other post employment benefits	(4,271,575)
Change in net pension liability	(910,467)
Other	<u>1,817,847</u>
Total	<u>\$ (2,828,102)</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$1,296,578. Key elements of this change are as follows:

Water enterprise	\$ 1,143,412
Ambulance enterprise	184,322
Recreation enterprise	<u>(31,156)</u>
Total	<u>\$ 1,296,578</u>

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 \$36,682,793, a change of \$(1,862,048) in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$ (705,068)
Community preservation	877,122
Nonmajor funds	<u>(2,034,102)</u>
Total	\$ <u><u>(1,862,048)</u></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 \$8,858,548, while total fund balance was \$25,941,213. 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*	\$ 8,858,548	\$ 10,455,076	\$ (1,596,528)	9.1%
Total fund balance	\$ 25,941,213	\$ 26,646,281	\$ (705,068)	26.8%

*These figures include the general stabilization fund

The total fund balance of the general fund changed by \$(705,068) during the current fiscal year. Key factors in this change are as follows:

Revenue in excess of budget	\$ 951,428
Budgetary appropriation turnbacks	2,071,771
Shortfall of tax collections	(203,085)
Excess of prior year encumbrances, net of current year encumbrances	(645,607)
Use of free cash and overlay surplus	(2,929,968)
Use of designated fund balance	(36,662)
Change in stabilization	1,279,839
Other timing issues	<u>(1,192,784)</u>
Total	\$ <u><u>(705,068)</u></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	\$ 4,789,317	\$ 4,739,569	\$ 49,748
Health stabilization	<u>1,748,440</u>	<u>518,349</u>	<u>1,230,091</u>
Total	<u>\$ 6,537,757</u>	<u>\$ 5,257,918</u>	<u>\$ 1,279,839</u>

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$7,892,754, a change of \$1,276,515 in comparison to 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

There were no net differences between the original budget and the final amended budget.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$266,902,835 (net of accumulated depreciation), a change of \$(1,790,806) from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

- \$1,195,848 for Road Infrastructure
- \$3,243,964 of construction in progress on the Robinson and Day Schools window project

Additional information on capital assets can be found in the Notes to the Financial Statements.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$46,137,022, all of which was backed by the full faith and credit of the government.

Additional information on 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 Westford'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:

Town of Westford, Massachusetts
55 Main Street
Westford, Massachusetts 01886

TOWN OF WESTFORD, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2016

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 18,767,477	\$ 7,510,991	\$ 26,278,468
Investments	25,722,725	768,947	26,491,672
Receivables, net of allowance for uncollectibles:			
Property taxes	718,149	-	718,149
Excises	268,847	-	268,847
Departmental and other	88,278	-	88,278
User fees	-	1,517,091	1,517,091
Other assets	25,000	-	25,000
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	621,661	-	621,661
Net other post-employment benefits	-	798,439	798,439
Other assets	75,000	-	75,000
Capital assets			
Land and construction in progress	42,638,773	2,390,430	45,029,203
Other capital assets, net of accumulated depreciation	182,667,314	39,206,318	221,873,632
DEFERRED OUTFLOWS OF RESOURCES	<u>3,463,290</u>	<u>104,538</u>	<u>3,567,828</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	275,056,514	52,296,754	327,353,268
LIABILITIES			
Current:			
Warrants payable	1,644,395	139,027	1,783,422
Accrued liabilities	635,465	61,760	697,225
Notes payable	3,525,000	900,000	4,425,000
Tax refunds payable	1,290,500	-	1,290,500
Other current liabilities	1,061,938	-	1,061,938
Current portion of long-term liabilities:			
Bonds payable	5,684,014	1,175,662	6,859,676
Compensated absences	79,141	9,210	88,351
Bond premium	18,139	-	18,139
Noncurrent:			
Bonds payable, net of current portion	30,602,042	8,675,304	39,277,346
Compensated absences, net of current portion	1,503,684	174,991	1,678,675
Bond premium, net of current portion	57,021	-	57,021
Accrued other post employment benefits	36,893,846	645,937	37,539,783
Net pension liability	<u>45,970,540</u>	<u>1,387,594</u>	<u>47,358,134</u>
TOTAL LIABILITIES	128,965,725	13,169,485	142,135,210
NET POSITION			
Net investment in capital assets	187,100,515	31,234,515	218,335,030
Restricted for:			
State and federal grants	4,630,187	-	4,630,187
Permanent funds:			
Nonexpendable	665,912	-	665,912
Expendable	1,606,506	-	1,606,506
Unrestricted	<u>(47,912,331)</u>	<u>7,892,754</u>	<u>(40,019,577)</u>
TOTAL NET POSITION	<u>\$ 146,090,789</u>	<u>\$ 39,127,269</u>	<u>\$ 185,218,058</u>

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

TOWN OF WESTFORD, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 6,563,390	\$ 405,677	\$ 850,287	\$ -	\$ (5,307,426)	\$ -	\$ (5,307,426)
Public safety	9,695,481	859,416	101,600	-	(8,734,465)	-	(8,734,465)
Education	66,852,988	3,936,609	21,894,457	614,731	(40,407,191)	-	(40,407,191)
Public works	9,127,141	52,033	-	1,437,093	(7,638,015)	-	(7,638,015)
Health and human services	1,433,691	350,508	263,475	-	(819,708)	-	(819,708)
Culture and recreation	2,695,217	367,706	94,343	-	(2,233,168)	-	(2,233,168)
Employee benefits	15,404,216	-	-	-	(15,404,216)	-	(15,404,216)
Interest	715,782	-	-	-	(715,782)	-	(715,782)
Intergovernmental	493,808	-	-	-	(493,808)	-	(493,808)
Total Governmental Activities	112,981,714	5,971,949	23,204,162	2,051,824	(81,753,779)	-	(81,753,779)
Business-Type Activities:							
Water services	3,706,750	4,437,396	-	-	-	730,646	730,646
Ambulance	1,229,840	1,012,915	-	-	-	(216,925)	(216,925)
Recreation	1,500,448	1,294,187	-	-	-	(206,261)	(206,261)
Total Business-Type Activities	6,437,038	6,744,498	-	-	-	307,460	307,460
Total	\$ 119,418,752	\$ 12,716,447	\$ 23,204,162	\$ 2,051,824	(81,753,779)	307,460	(81,446,319)
General Revenues, Contributions, and Transfers:							
Property taxes					71,179,143	-	71,179,143
Excises					3,588,516	-	3,588,516
Penalties, interest and other taxes					1,465,408	-	1,465,408
Grants and contributions not restricted to specific programs					2,095,559	-	2,095,559
Intergovernmental revenue					-	217,342	217,342
Investment income					681,173	57,262	738,435
Miscellaneous					1,181,947	80,015	1,261,962
Permanent fund contributions					80,855	-	80,855
Transfers (net)					(1,346,924)	634,499	(712,425)
Total general revenues, contributions, and transfers					78,925,677	989,118	79,914,795
Change in Net Position					(2,828,102)	1,296,578	(1,531,524)
Net Position:							
Beginning of year					148,918,891	37,830,691	186,749,582
End of year					\$ 146,090,789	\$ 39,127,269	\$ 185,218,058

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

TOWN OF WESTFORD, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2016

	General Fund	Community Preservation Act Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and short-term investments	\$ 12,570,527	\$ -	\$ 6,196,950	\$ 18,767,477
Investments	17,511,549	5,758,880	2,452,296	25,722,725
Receivables:				
Property taxes	1,459,930	22,826	-	1,482,756
Excises	300,903	-	-	300,903
Departmental and other	<u>72,725</u>	<u>-</u>	<u>-</u>	<u>72,725</u>
TOTAL ASSETS	<u>\$ 31,915,634</u>	<u>\$ 5,781,706</u>	<u>\$ 8,649,246</u>	<u>\$ 46,346,586</u>
LIABILITIES				
Warrants payable	\$ 1,502,849	\$ 390	\$ 141,156	\$ 1,644,395
Accrued liabilities	457,732	-	-	457,732
Notes payable	-	-	3,525,000	3,525,000
Tax refunds payable	1,290,500	-	-	1,290,500
Other liabilities	<u>1,061,938</u>	<u>-</u>	<u>-</u>	<u>1,061,938</u>
TOTAL LIABILITIES	4,313,019	390	3,666,156	7,979,565
DEFERRED INFLOWS OF RESOURCES	1,661,402	22,826	-	1,684,228
FUND BALANCES				
Nonspendable	-	-	665,912	665,912
Restricted	10,216,124	-	7,747,214	17,963,338
Committed	3,697,544	5,758,490	-	9,456,034
Assigned	3,168,997	-	-	3,168,997
Unassigned	<u>8,858,548</u>	<u>-</u>	<u>(3,430,036)</u>	<u>5,428,512</u>
TOTAL FUND BALANCES	<u>25,941,213</u>	<u>5,758,490</u>	<u>4,983,090</u>	<u>36,682,793</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 31,915,634</u>	<u>\$ 5,781,706</u>	<u>\$ 8,649,246</u>	<u>\$ 46,346,586</u>

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

TOWN OF WESTFORD, 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	\$ 36,682,793
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	225,306,087
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,524,778
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(177,732)
• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(74,737,887)
• Certain changes in the net pension liability, which are deferred to future reporting periods, are not reported in the governmental funds.	<u>(42,507,250)</u>
Net position of governmental activities	<u>\$ 146,090,789</u>

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

TOWN OF WESTFORD, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Community Preservation Act Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 69,640,990	\$ 1,644,892	\$ -	\$ 71,285,882
Excises	3,511,958	-	-	3,511,958
Penalties, interest and other taxes	1,450,283	4,049	-	1,454,332
Betterments	11,076	-	-	11,076
Charges for services	-	-	4,539,677	4,539,677
Departmental	35,453	-	-	35,453
Intergovernmental	20,098,170	513,583	6,760,512	27,372,265
Licenses and permits	1,233,517	-	-	1,233,517
Fines and forfeitures	84,353	-	-	84,353
Investment income	333,661	249,191	98,321	681,173
Miscellaneous	1,118,824	-	209,052	1,327,876
	<u>97,518,285</u>	<u>2,411,715</u>	<u>11,607,562</u>	<u>111,537,562</u>
Total Revenues				
Expenditures:				
Current:				
General government	4,560,200	1,344,593	571,343	6,476,136
Public safety	9,462,533	-	340,413	9,802,946
Education	53,880,107	-	10,434,005	64,314,112
Public works	5,649,794	-	1,554,878	7,204,672
Health and human services	1,015,205	-	350,493	1,365,698
Culture and recreation	2,035,792	-	547,695	2,583,487
Employee benefits	13,364,599	-	-	13,364,599
Debt service	6,447,228	-	-	6,447,228
Intergovernmental	493,808	-	-	493,808
	<u>96,909,266</u>	<u>1,344,593</u>	<u>13,798,827</u>	<u>112,052,686</u>
Total Expenditures				
Excess (deficiency) of revenues over expenditures	609,019	1,067,122	(2,191,265)	(515,124)
Other Financing Sources (Uses):				
Transfers in	82,837	-	202,483	285,320
Transfers out	(1,396,924)	(190,000)	(45,320)	(1,632,244)
	<u>(1,314,087)</u>	<u>(190,000)</u>	<u>157,163</u>	<u>(1,346,924)</u>
Total Other Financing Sources (Uses)				
Excess (deficiency) of revenues and other sources over expenditures and other uses	(705,068)	877,122	(2,034,102)	(1,862,048)
Fund Equity, at Beginning of Year	<u>26,646,281</u>	<u>4,881,368</u>	<u>7,017,192</u>	<u>38,544,841</u>
Fund Equity, at End of Year	<u>\$ 25,941,213</u>	<u>\$ 5,758,490</u>	<u>\$ 4,983,090</u>	<u>\$ 36,682,793</u>

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

TOWN OF WESTFORD, 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	\$ (1,862,048)										
<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="margin-left: 40px; width: 100%;"> <tr> <td style="width: 80%;">Capital outlay purchases</td> <td style="text-align: right;">6,844,271</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(8,186,706)</td> </tr> </table> • Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. (37,027) • 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="margin-left: 40px; width: 100%;"> <tr> <td style="width: 80%;">Repayments of debt</td> <td style="text-align: right;">5,664,014</td> </tr> <tr> <td>Amortization of refunding</td> <td style="text-align: right;">(25,000)</td> </tr> <tr> <td>Amortization of bond premium</td> <td style="text-align: right;">20,122</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. 72,310 • Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. (4,407,571) • Certain changes in the net pension liability, which are deferred to future reporting periods, are not reported in the governmental funds. <u>(910,467)</u> 	Capital outlay purchases	6,844,271	Depreciation	(8,186,706)	Repayments of debt	5,664,014	Amortization of refunding	(25,000)	Amortization of bond premium	20,122	
Capital outlay purchases	6,844,271										
Depreciation	(8,186,706)										
Repayments of debt	5,664,014										
Amortization of refunding	(25,000)										
Amortization of bond premium	20,122										
Change in net position of governmental activities	\$ <u>(2,828,102)</u>										

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

TOWN OF WESTFORD, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues and Other Sources:				
Taxes	\$ 69,844,075	\$ 69,844,075	\$ 69,844,075	\$ -
Excise	3,342,941	3,342,941	3,511,958	169,017
Penalties, interest and other taxes	1,375,388	1,375,388	1,450,283	74,895
Departmental	33,031	33,031	35,453	2,422
Betterments	15,373	15,373	11,076	(4,297)
Intergovernmental	20,094,115	20,094,115	20,098,170	4,055
Licenses and permits	1,040,030	1,040,030	1,233,517	193,487
Fines and forfeits	90,119	90,119	84,353	(5,766)
Investment income	36,521	36,521	53,822	17,301
Miscellaneous	1,823,633	1,823,633	2,323,947	500,314
Transfers in	990,272	990,272	990,272	-
Use of free cash	2,929,968	2,929,968	2,929,968	-
Use of designated fund balance	36,662	36,662	36,662	-
Total Revenues and Other Sources	101,652,128	101,652,128	102,603,556	951,428
Expenditures and Other Uses:				
General government	4,545,710	4,545,710	4,266,332	279,378
Public safety	9,811,652	9,811,652	9,492,923	318,729
Education	54,403,440	54,403,440	53,957,914	445,526
Public works	5,500,469	5,500,469	5,268,055	232,414
Health and human services	1,086,423	1,086,423	1,009,802	76,621
Culture and recreation	1,991,126	1,991,126	1,920,940	70,186
Debt service	6,562,422	6,562,422	6,556,448	5,974
Intergovernmental	450,710	450,710	493,808	(43,098)
Employee benefits	14,997,432	14,997,432	14,311,391	686,041
Transfers out	2,287,704	2,287,704	2,287,704	-
Other uses-snow and ice deficit raised	15,040	15,040	15,040	-
Total Expenditures and Other Uses	101,652,128	101,652,128	99,580,357	2,071,771
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 3,023,199	\$ 3,023,199

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

TOWN OF WESTFORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2016

	Business-Type Activities Enterprise Fund			Total Fund
	Water Fund	Ambulance Fund	Recreation Fund	
ASSETS				
Current:				
Cash and short-term investments	\$ 6,371,777	\$ 665,313	\$ 473,901	\$ 7,510,991
Investments	768,947	-	-	768,947
User fees, net of allowance for uncollectibles	900,030	617,061	-	1,517,091
Total current assets	8,040,754	1,282,374	473,901	9,797,029
Noncurrent:				
Capital Assets:				
Land and construction in progress	2,115,683	-	274,747	2,390,430
Other capital assets, net of accumulated depreciation	38,567,653	339,355	299,310	39,206,318
Net other post employment benefits	798,439	-	-	798,439
Total noncurrent assets	41,481,775	339,355	574,057	42,395,187
DEFERRED OUTFLOWS OF RESOURCES	52,804	10,704	41,030	104,538
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	49,575,333	1,632,433	1,088,988	52,296,754
LIABILITIES				
Current:				
Warrants payable	93,260	15,369	30,398	139,027
Accrued liabilities	61,615	145	-	61,760
Notes payable	900,000	-	-	900,000
Bonds payable	1,130,662	45,000	-	1,175,662
Compensated absences	5,500	1,547	2,163	9,210
Total current liabilities	2,191,037	62,061	32,561	2,285,659
Noncurrent:				
Bonds payable, net of current portion	8,630,304	45,000	-	8,675,304
Compensated absences	104,500	29,390	41,101	174,991
Accrued other post employment benefits	-	132,980	512,957	645,937
Net pension liability	700,900	142,075	544,619	1,387,594
Total noncurrent liabilities	9,435,704	349,445	1,098,677	10,883,826
TOTAL LIABILITIES	11,626,741	411,506	1,131,238	13,169,485
NET POSITION				
Net investment in capital assets	30,411,102	249,356	574,057	31,234,515
Unrestricted	7,537,490	971,571	(616,307)	7,892,754
TOTAL NET POSITION	\$ 37,948,592	\$ 1,220,927	\$ (42,250)	\$ 39,127,269

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

TOWN OF WESTFORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities Enterprise Fund			
	Water Fund	Ambulance Fund	Recreation Fund	Total Fund
Operating Revenues:				
Charges for services	\$ 4,437,396	\$ 1,012,915	\$ 1,294,187	\$ 6,744,498
Other	80,015	-	-	80,015
Total Operating Revenues	<u>4,517,411</u>	<u>1,012,915</u>	<u>1,294,187</u>	<u>6,824,513</u>
Operating Expenses:				
Operating expenses	1,617,136	1,144,890	1,096,863	3,858,889
Depreciation	1,497,417	57,638	25,521	1,580,576
Employee benefits	393,155	24,685	378,064	795,904
Total Operating Expenses	<u>3,507,708</u>	<u>1,227,213</u>	<u>1,500,448</u>	<u>6,235,369</u>
Operating Income (Loss)	1,009,703	(214,298)	(206,261)	589,144
Nonoperating Revenues (Expenses):				
Intergovernmental revenue	217,342	-	-	217,342
Investment income	53,889	1,699	1,674	57,262
Interest expense	(199,042)	(2,627)	-	(201,669)
Total Nonoperating Revenues (Expenses), Net	<u>72,189</u>	<u>(928)</u>	<u>1,674</u>	<u>72,935</u>
Net Income or Loss Before Transfers	1,081,892	(215,226)	(204,587)	662,079
Transfers:				
Transfers in	112,224	449,548	173,431	735,203
Transfers out	(50,704)	(50,000)	-	(100,704)
Change in Net Position	1,143,412	184,322	(31,156)	1,296,578
Net Position at Beginning of Year	<u>36,805,180</u>	<u>1,036,605</u>	<u>(11,094)</u>	<u>37,830,691</u>
Net Position at End of Year	<u>\$ 37,948,592</u>	<u>\$ 1,220,927</u>	<u>\$ (42,250)</u>	<u>\$ 39,127,269</u>

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

TOWN OF WESTFORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities Enterprise Funds			Total
	Water Fund	Ambulance Fund	Recreation Fund	
Cash Flows From Operating Activities:				
Receipts from customers and users	\$ 4,564,183	\$ 961,732	\$ 1,294,187	\$ 6,820,102
Payments to vendors and employees	(2,610,054)	(1,152,902)	(1,367,931)	(5,130,887)
Net Cash Provided By (Used For) Operating Activities	1,954,129	(191,170)	(73,744)	1,689,215
Cash Flows From Capital and Related Financing Activities:				
Acquisition, construction, and disposition of capital assets	(1,034,840)	(97,365)	-	(1,132,205)
Payments on bond and notes	(1,263,772)	(45,000)	-	(1,308,772)
Interest expense	(199,042)	(2,627)	-	(201,669)
Intergovernmental revenue	217,342	-	-	217,342
Net Cash (Used For) Capital and Related Financing Activities	(2,280,312)	(144,992)	-	(2,425,304)
Cash Flows From Noncapital Financing Activities:				
Transfers in	112,224	449,548	173,431	735,203
Transfers out	(50,704)	(50,000)	-	(100,704)
Net Cash Provided By Noncapital Financing Activities	61,520	399,548	173,431	634,499
Cash Flows From Investing Activities:				
Investment income	378	1,699	1,674	3,751
Net Cash Provided By Investing Activities	378	1,699	1,674	3,751
Net Change in Cash and Short-Term Investments	(264,285)	65,085	101,361	(97,839)
Cash and Short-Term Investments, Beginning of Year	6,636,062	600,228	372,540	7,608,830
Cash and Short-Term Investments, End of Year	\$ 6,371,777	\$ 665,313	\$ 473,901	\$ 7,510,991
Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities:				
Operating income (loss)	\$ 1,009,703	\$ (214,298)	\$ (206,261)	\$ 589,144
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	1,497,417	57,638	25,521	1,580,576
Changes in assets and liabilities:				
Receivables	46,772	(51,183)	-	(4,411)
Warrants payable	(45,853)	(9,937)	(7,036)	(62,826)
Other assets	(628,252)	(10,268)	(39,360)	(677,880)
Compensated absences	18,180	1,925	16,529	36,634
Accrued other post employment benefits	-	21,871	86,716	108,587
Accrued liabilities	(8,374)	-	-	(8,374)
Net pension liability	64,536	13,082	50,147	127,765
Net Cash Provided By (Used For) Operating Activities	\$ 1,954,129	\$ (191,170)	\$ (73,744)	\$ 1,689,215

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

TOWN OF WESTFORD, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2016

	<u>Agency Funds</u>	<u>Other Post-Employment Benefits Trust Fund</u>
<u>ASSETS</u>		
Cash and short-term investments	\$ 1,024,461	\$ -
Investments	-	1,517,563
Departmental receivables	<u>101,679</u>	<u>-</u>
Total Assets	1,126,140	1,517,563
 <u>LIABILITIES AND NET POSITION</u>		
Warrants payable	14,097	-
Escrow deposits	<u>1,112,043</u>	<u>-</u>
Total Liabilities	<u>1,126,140</u>	<u>-</u>
 <u>NET POSITION</u>		
Total net position held in trust	\$ <u>-</u>	\$ <u>1,517,563</u>

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

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

	Other Post-Employment Benefits Trust <u>Fund</u>
Additions:	
Interest income	\$ 70,898
Transfers in	<u>712,425</u>
Total additions	783,323
Net position:	
Beginning of year	<u>734,240</u>
End of year	<u><u>\$ 1,517,563</u></u>

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

TOWN OF WESTFORD, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, 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 Town 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 Town 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* accounts for funds used for the acquisition, creation, and preservation of open space historic resources, and community housing.

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 operations
- Ambulance operations
- Recreation operations

The *other post-employment trust fund* is used to accumulate resources for health and life insurance benefits for retired employees.

The *agency funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. Agency funds report only assets and liabilities, and therefore, have no measurement focus.

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.

Investments for the Trust Funds consist of marketable securities, bonds, and short-term money market investments. Investments are carried at market value.

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 \$8,132.

G. 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 Town as assets with an initial individual cost of more than \$10,000 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.

Capital assets 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	30 - 75
Vehicles	5
Office equipment	5
Computer equipment	5

H. Compensated Absences

It is the Town’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.

I. 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.

J. 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., the 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, consists 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.

K. *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 Finance Committee 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 general fund final appropriation appearing on the “Budget and Actual” page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

The budgetary data for the general and proprietary funds 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)	\$ 97,518,285	\$ 96,909,266
Other financing sources/uses (GAAP basis)	<u>82,837</u>	<u>1,396,924</u>
Subtotal (GAAP Basis)	97,601,122	98,306,190
Adjust tax revenue to accrual basis	203,085	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(4,209,446)
Add end-of-year appropriation carryforwards from expenditures	-	3,563,839
To record use of free cash	2,929,968	-
To record raising of prior year's snow and ice	-	-
To record use of designated fund balance	36,662	-
To remove unbudgeted stabilization fund	(279,839)	1,000,000
Other timing issues	<u>2,112,558</u>	<u>919,774</u>
Budgetary basis	<u>\$ 102,603,556</u>	<u>\$ 99,580,357</u>

D. Deficit Fund Equity

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

Police-Underage Alcohol FY16	\$	(540)
Police-Traffic Grant FY16		(1,655)
BOH- FDA Standards		(650)
Sped Prog Impr DOE 274 FY16		(7,999)
Title II Teacher Quality 140 F16		(25)
Police 911 Support-FY16		(1,323)
Police 911 Support-FY15		(5,928)
Police 911 Training FY15		(7,835)
Water-Massworks Grant		(43,550)
WEF Mini Grants		(9,615)
Police/Fire Dispatch		(49,767)
Eng Master Design		(359,202)
Eng-Plain Rd Sidewalk		(9,945)
Robinson/Day Windows		(2,887,368)
Chapter 90		<u>(44,634)</u>
Total	\$	<u><u>(3,430,036)</u></u>

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

3. Cash and Short-Term Investments

Custodial credit risk for deposits is the risk that in the event of a bank failure, the deposits may not be returned. The custodial credit risk for investments is the risk that, in the event of a 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.

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. 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, \$14,808,559 of the Town's bank balances of \$29,543,600 was exposed to custodial credit risk as uninsured or uncollateralized.

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 (in thousand). (All federal agency securities have an implied credit rating of AAA.):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>	
				<u>Aaa</u>	<u>Bbb</u>
U.S. Treasury notes	\$ 12,238	N/A	\$ 12,238	\$ -	\$ -
Certificates of deposits	3,593		-	3,593	-
Corporate bonds	2,729		-	970	1,759
Corporate equities	3,351	N/A	3,351	-	-
Mutual funds	2,023	N/A	2,023	-	-
Federal agency securities	<u>4,075</u>		<u>-</u>	<u>4,075</u>	<u>-</u>
Total investments	<u>\$ 28,009</u>		<u>\$ 17,612</u>	<u>\$ 8,638</u>	<u>\$ 1,759</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 manages this risk through the use of SIPIC and excess SIPIC insurance coverage.

The government has a custodial credit risk exposure of \$28,009,235 because the related securities are uninsured, unregistered and held by the Town's brokerage firm, which is also the Counterparty to these securities.

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 the total investments are as follows: (in thousands)

<u>Investment Issuer</u>	<u>Amount</u>	<u>% of Total Investments</u>
Federal Home Loan Mortgage Corp	\$ 4,001	14%
Certificates of deposit	\$ 2,593	13%
Equities	\$ 3,351	12%
Corporate bonds	\$ 2,729	10%

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>Investment Maturities (in Years)</u>				<u>N/A</u>
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>	
Debt Related Securities:						
U.S. Treasury notes	\$ 12,238	\$ 1,296	\$ 7,733	\$ 3,209	\$ -	\$ -
Certificates of deposit	3,593	491	3,102	-	-	-
Corporate bonds	2,729	480	2,249	-	-	-
Corporate equities	3,351	-	-	-	-	3,351
Mutual funds	2,023	-	-	-	-	2,023
Federal agency securities	4,075	-	4,038	-	37	-
Total	<u>\$ 28,009</u>	<u>\$ 2,267</u>	<u>\$ 17,122</u>	<u>\$ 3,209</u>	<u>\$ 37</u>	<u>\$ 5,374</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. All of the Town's investments are classified as Level 1, except certificates of deposit which are reported at cost.

5. Taxes Receivable

Real estate and personal property taxes are levied and based on values assessed on January 1 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.

General fund taxes receivable at June 30, 2016 consist of the following (in thousands):

Real Estate			
2016	\$	439	
2015		<u>26</u>	
			465
Personal Property			
2016		18	
2015		6	
2014		1	
Prior		<u>1</u>	
			26
Tax Liens			691
Deferred Taxes			<u>278</u>
Total	\$		<u><u>1,460</u></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	\$ 120	\$ -
Excises	\$ 32	\$ -
Utilities	\$ -	\$ 186
Other	\$ 7	\$ -

7. Interfund Fund Transfers

The Town reports interfund transfers between various funds. Most transfers results from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The following is an analysis of interfund transfers:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 82,837	\$ 1,396,924
Major Fund CPA	-	190,000
Nonmajor Funds:		
Special Revenue Funds:	12,483	45,320
Trust Funds:	<u>190,000</u>	<u>-</u>
Subtotal Nonmajor Funds	202,483	45,320
<u>Business-Type Funds:</u>		
Water Fund	112,224	50,704
Ambulance Fund	449,548	50,000
Recreation Fund	<u>173,431</u>	<u>-</u>
Subtotal Business-Type Funds:	735,203	100,704
<u>Fiduciary Funds:</u>		
Other Post-Employment Benefits	<u>712,425</u>	<u>-</u>
Subtotal Fiduciary Funds:	<u>712,425</u>	<u>-</u>
Grand Total	<u>\$ 1,732,948</u>	<u>\$ 1,732,948</u>

8. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 144,734	\$ -	\$ -	\$ 144,734
Machinery, equipment, and furnishings	33,622	2,209	(97)	35,734
Infrastructure	<u>130,832</u>	<u>1,196</u>	<u>-</u>	<u>132,028</u>
Total capital assets, being depreciated	309,188	3,405	(97)	312,496
Less accumulated depreciation for:				
Buildings and improvements	(53,293)	(3,392)	-	(56,685)
Machinery, equipment, and furnishings	(15,969)	(1,584)	97	(17,456)
Infrastructure	<u>(52,477)</u>	<u>(3,211)</u>	<u>-</u>	<u>(55,688)</u>
Total accumulated depreciation	<u>(121,739)</u>	<u>(8,187)</u>	<u>97</u>	<u>(129,829)</u>
Total capital assets, being depreciated, net	187,449	(4,782)	-	182,667
Capital assets, not being depreciated:				
Land	31,914	-	-	31,914
Construction in progress	<u>7,286</u>	<u>3,439</u>	<u>-</u>	<u>10,725</u>
Total capital assets, not being depreciated	<u>39,200</u>	<u>3,439</u>	<u>-</u>	<u>42,639</u>
Governmental activities capital assets, net	<u>\$ 226,649</u>	<u>\$ (1,343)</u>	<u>\$ -</u>	<u>\$ 225,306</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 16,739	\$ -	\$ -	\$ 16,739
Machinery, equipment, and furnishings	2,509	241	-	2,750
Infrastructure	<u>40,923</u>	<u>1,282</u>	<u>-</u>	<u>42,205</u>
Total capital assets, being depreciated	60,171	1,523	-	61,694
Less accumulated depreciation for:				
Buildings and improvements	(6,970)	(649)	-	(7,619)
Machinery, equipment, and furnishings	(1,743)	(136)	-	(1,879)
Infrastructure	<u>(12,194)</u>	<u>(795)</u>	<u>-</u>	<u>(12,989)</u>
Total accumulated depreciation	<u>(20,907)</u>	<u>(1,580)</u>	<u>-</u>	<u>(22,487)</u>
Total capital assets, being depreciated, net	39,264	(57)	-	39,207
Capital assets, not being depreciated:				
Land	2,390	-	-	2,390
Construction in progress	<u>391</u>	<u>-</u>	<u>(391)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>2,781</u>	<u>-</u>	<u>(391)</u>	<u>2,390</u>
Business-type activities capital assets, net	<u>\$ 42,045</u>	<u>\$ (57)</u>	<u>\$ (391)</u>	<u>\$ 41,597</u>

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

Governmental Activities:	
General government	\$ 128
Public safety	491
Education	3,679
Public works	3,660
Culture and recreation	168
Health and Human Services	<u>61</u>
Total depreciation expense - governmental activities	<u>\$ 8,187</u>
Business-Type Activities:	
Water	\$ 1,497
Ambulance	58
Recreation	<u>25</u>
Total depreciation expense - business-type activities	<u>\$ 1,580</u>

9. 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:

	<u>Entity-wide Basis</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Pension related:		
Net difference between projected and actual pension investment earnings	\$ 2,344,143	\$ 70,757
Change in proportion and differences between contributions and proportionate share of contributions	<u>1,119,147</u>	<u>33,781</u>
Total:	<u>\$ 3,463,290</u>	<u>\$ 104,538</u>

10. Warrants Payable

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

11. Tax Refunds Payable

This balance consists of an estimate of refunds due to property taxpayers for potential abatements. These cases are currently pending with the state Appellate Tax Board.

12. Anticipation Notes Payable

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

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/16</u>
General purpose	0.75%	06/03/16	11/18/16	\$ <u>4,425,000</u>
Total				\$ <u><u>4,425,000</u></u>

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

	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
General purpose	\$ <u>3,550,000</u>	\$ <u>1,035,000</u>	\$ <u>(160,000)</u>	\$ <u>4,425,000</u>
Total	<u>\$ 3,550,000</u>	<u>\$ 1,035,000</u>	<u>\$ (160,000)</u>	<u>\$ 4,425,000</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>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/16</u>
Title V	08/01/19	0.00%	\$ 16,056
Elementary school construction	06/01/22	4.14%	8,025,000
Elementary school construction	12/01/22	4.49%	1,555,000
Middle school construction	06/01/22	4.14%	7,645,000
Middle school construction	12/01/22	4.49%	1,480,000
Highway garage	06/01/18	3.68%	100,000
East Boston camps CPA	04/01/19	4.0 - 5.5%	2,165,000
Academy refunding	06/30/20	4.00%	5,340,000
Town Hall	04/15/10	3.68%	1,625,000
Senior center	11/15/09	3.47%	2,800,000
Elevator 2013	06/01/23	1.40%	315,000
Sweeper 2013	06/01/18	0.88%	80,000
Police communications 2013	06/01/22	1.29%	120,000
Boiler 2013	06/01/22	1.29%	60,000
Sewer refunding 2013	06/01/19	0.96%	280,000
Highway refunding 2014	04/25/24	1.54%	<u>4,680,000</u>
Total Governmental Activities:			\$ <u><u>36,286,056</u></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>
<u>Water Enterprise</u>			
Filtration plant - MWPAT	02/01/21	1.11%	\$ 725,000
MWPAT	08/01/22	1.13%	4,910,000
Water bonds	09/15/23	3.60%	258,000
Water bonds	09/15/23	3.60%	217,000
Water bonds	04/01/18	3.01%	200,000
MWPAT DW 08-16	07/15/30	2.00%	177,629
MWPAT DW 09-07	07/15/30	2.00%	1,478,337
2013 Water bond	06/01/33	2.36%	1,315,000
2013 Water bond	06/01/33	2.36%	<u>480,000</u>
Total Water:			9,760,966
<u>Ambulance Enterprise</u>			
Ambulance 2013	06/01/18	0.88%	<u>90,000</u>
Total Business-Type Activities:			\$ <u><u>9,850,966</u></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	\$ 5,684,014	\$ 1,431,767	\$ 7,115,781
2018	5,784,014	1,220,744	7,004,758
2019	5,759,014	1,007,994	6,767,008
2020	4,989,014	765,462	5,754,476
2021	3,790,000	549,274	4,339,274
2022 - 2026	9,080,000	791,023	9,871,023
2027 - 2031	<u>1,200,000</u>	<u>104,500</u>	<u>1,304,500</u>
Total	<u>\$ 36,286,056</u>	<u>\$ 5,870,764</u>	<u>\$ 42,156,820</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,175,662	\$ 178,871	\$ 1,354,533
2018	1,202,588	156,000	1,358,588
2019	1,089,553	131,402	1,220,955
2020	1,096,558	112,131	1,208,689
2021	1,128,602	92,217	1,220,819
2022 - 2026	2,725,164	263,270	2,988,434
2027 - 2031	1,177,839	120,348	1,298,187
Thereafter	<u>255,000</u>	<u>11,550</u>	<u>266,550</u>
Total	<u>\$ 9,850,966</u>	<u>\$ 1,065,789</u>	<u>\$ 10,916,755</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 7/1/15	Additions	Reductions	Total Balance 6/30/16	Less Current Portion	Equals Long-Term Portion 6/30/16
<u>Governmental Activities</u>						
Bonds payable	\$ 41,950	\$ -	\$ (5,664)	\$ 36,286	\$ (5,684)	\$ 30,602
Other:						
Compensated absences	1,447	136	-	1,583	(79)	1,504
Bond premium	95	-	(20)	75	(18)	57
Accrued other post-employment benefits	32,622	4,272	-	36,894	-	36,894
Net pension liability	<u>41,738</u>	<u>4,233</u>	<u>-</u>	<u>45,971</u>	<u>-</u>	<u>45,971</u>
Totals	<u>\$ 117,852</u>	<u>\$ 8,641</u>	<u>\$ (5,684)</u>	<u>\$ 120,809</u>	<u>\$ (5,781)</u>	<u>\$ 115,028</u>

	Total Balance <u>7/1/15</u>	Additions	Reductions	Total Balance <u>6/30/16</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/16</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 11,000	\$ -	\$ (1,149)	\$ 9,851	\$ (1,176)	\$ 8,675
Other:						
Compensated absences	148	36	-	184	(9)	175
Accrued other post-employment benefits	537	109	-	646	-	646
Net pension liability	1,260	128	-	1,388	-	1,388
Totals	<u>\$ 12,945</u>	<u>\$ 273</u>	<u>\$ (1,149)</u>	<u>\$ 12,069</u>	<u>\$ (1,185)</u>	<u>\$ 10,884</u>

14. 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:

	<u>Fund Basis</u>	
	<u>Governmental Funds</u>	
	<u>General Fund</u>	<u>CPA</u>
Unavailable revenues	\$ 1,661,402	\$ 22,826

15. 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.

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 Town implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

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, stabilization funds 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 <u>Fund</u>	CPA <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 665,912	\$ 665,912
Total Nonspendable	-	-	665,912	665,912
Restricted				
Reserve for debt service	10,216,124	-	-	10,216,124
Capital project funds	-	-	1,431,401	1,431,401
Special revenue funds	-	-	4,709,307	4,709,307
Expendable permanent funds	-	-	1,606,506	1,606,506
Total Restricted	10,216,124	-	7,747,214	17,963,338
Committed				
Reserve for continuing appropriations				
General government	567,273	-	-	567,273
Public safety	78,737	-	-	78,737
Education	386,635	-	-	386,635
Public works	890,959	-	-	890,959
Culture and recreation	25,500	-	-	25,500
Health stabilization	540,637	-	-	540,637
Capital stabilization	1,207,803	-	-	1,207,803
Community preservation act funds	-	5,758,490	-	5,758,490
Total Committed	3,697,544	5,758,490	-	9,456,034

	<u>General Fund</u>	<u>CPA Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assigned				
Reserved for encumbrances				
General government	263,815	-	-	263,815
Public safety	12,964	-	-	12,964
Education	1,083,026	-	-	1,083,026
Public works	160,950	-	-	160,950
Culture and recreation	1,946	-	-	1,946
Employment Benefits	92,039	-	-	92,039
Reserved for petty cash	6,000	-	-	6,000
Reserved for expenditures	<u>1,548,257</u>	<u>-</u>	<u>-</u>	<u>1,548,257</u>
Total Assigned	3,168,997	-	-	3,168,997
Unassigned				
General fund	4,069,231	-	-	4,069,231
General stabilization	4,789,317	-	-	4,789,317
Special revenue funds	-	-	(79,120)	(79,120)
Capital project funds	-	-	<u>(3,350,916)</u>	<u>(3,350,916)</u>
Total Unassigned	<u>8,858,548</u>	<u>-</u>	<u>(3,430,036)</u>	<u>5,428,512</u>
Total Fund Balances	<u>\$ 25,941,213</u>	<u>\$ 5,758,490</u>	<u>\$ 4,983,090</u>	<u>\$ 36,682,793</u>

17. General Fund Unassigned Fund Balance

The unassigned general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in certain respects from the Massachusetts Uniform Municipal Accounting System (UMAS). The following paragraphs summarize the major differences.

Massachusetts general laws include provisions to allow municipalities to over-expend certain appropriations if they are incurred in an emergency situation and for the safety of the public. The most common example involves the “snow and ice” appropriation. All such overexpenditures, however, must be funded in the subsequent year’s tax rate.

Massachusetts General Laws require that non-property tax revenue budget shortfalls, net of appropriation turnbacks, be funded in the subsequent year. The same treatment is also applied to the excess of actual property tax abatements and exemptions over the provision for abatements and exemptions (overlay).

The accompanying financial statements include an estimate for future potential tax refunds, which is not recognized under UMAS.

The following summarizes the specific differences between GAAP basis and budgetary basis of reporting the general fund unassigned fund balance:

GAAP basis balance	\$ 8,858,548
Stabilization	(4,789,317)
Tax refund estimate	<u>1,290,500</u>
Statutory (UMAS) Balance	<u>\$ 5,359,731</u>

18. Commitments and Contingencies

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

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

19. 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 revenues, expenses, and changes in net assets 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 July 1, 2014, the actuarial valuation date, approximately 272 retirees and 945 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 40% 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 July 1, 2014.

Annual Required Contribution (ARC)	\$ 6,304,895
Interest on net OPEB obligation	1,317,551
Adjustment to ARC	<u>(1,281,873)</u>
Annual OPEB cost	6,340,573
Contributions made	<u>(2,538,008)</u>
Increase in net OPEB obligation	3,802,565
Net OPEB obligation - beginning of year	<u>32,938,779</u>
Net OPEB obligation - end of year	<u>\$ 36,741,344</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	\$ 6,304,573	40%	\$ 36,741,344
2015	\$ 6,031,866	48%	\$ 32,938,779
2014	\$ 8,018,030	28%	\$ 29,780,930

The Town's net OPEB obligation as of June 30, 2016 is recorded as a component of the "other long-term liabilities" line item.

E. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2016 based on the July 1, 2014 actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 59,530,723
Actuarial value of plan assets	<u>(1,480,133)</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 58,050,590</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>2.5%</u>
Covered payroll (active plan members)	<u>\$ 55,800,298</u>
UAAL as a percentage of covered payroll	<u>104%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the Notes to the 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 July 1, 2014 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The actuarial assumptions included a 4% investment rate of return and an initial annual healthcare cost trend rate of 11%, which decreases to a 5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 3%.

20. Retirement System – Middlesex County 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 Middlesex 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 25 Linnell Circle, P.O. Box 160, Billerica, Massachusetts 01865.

Participant Retirement Benefits

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-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 \$3,993,806, 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 \$47,358,134 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 December 31, 2015. 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 June 30, 2016, the Town's proportion was 3.671119% percent.

For the year ended June 30, 2016, the Town recognized pension expense of \$4,931,752. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 2,414,900
Changes in proportion and differences between contributions and proportionate share of contributions	<u>1,152,928</u>
Total	<u>\$ 3,567,828</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:

2017	\$	901,265
2018		901,265
2019		901,265
2020		<u>864,033</u>
Total	\$	<u><u>3,567,828</u></u>

D. Actuarial Assumptions:

The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2015:

COLA	3% of the first \$14,000
Salary increases	4.50%
Investment rate of return	8%

Mortality rates were based on the RP-2000 mortality table (sex-distinct, healthy employees for actives and healthy annuitants for retirees) projected with scale BB and Generational Mortality. For members retired under an Accidental Disability (job-related), 40% of deaths are assumed to be from the same cause as the disability. Disabled mortality is the healthy retiree table ages set forward 2 years.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of the most recent actuarial experience study, which was for the period 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>
Domestic equity	19.6%	6.49%
International developed markets equity	15.6%	7.16%
International emerging markings equity	6.5%	9.46%
Core fixed income	15.3%	1.68%
High-yield fixed income	8.3%	4.76%
Real Estate	9.9%	4.37%
Commodities	3.9%	4.13%
Short-term government money market	0.0%	1.11%
Hedge fund, GTAA, Risk parity	9.8%	3.60%
Private equity	11.1%	11.04%
Total	100.0%	

E. Discount Rate

The discount rate used to measure the total pension liability was 7.875%. 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 7.875 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 (6.875%) or 1 percentage-point higher (8.875%) than the current rate:

<u>Fiscal Year Ended</u>	<u>1% Decrease (6.875%)</u>	<u>Current Discount Rate (7.875%)</u>	<u>1% Increase (8.875%)</u>
June 30, 2016	\$ 56,868,183	\$ 47,358,134	\$ 39,259,661

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.

21. **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-2000 Employees table adjusted for “white-collar” employment projected 22 years with Scale AA (gender distinct)
 - Post-retirement - reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct)
 - Disability – reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct) set forward 3 years for males.

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2015 and 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	
		<u>2015</u>	<u>2014</u>
Global equity	40.0%	6.9%	7.20%
Core fixed income	13.0%	2.4%	2.50%
Private equity	10.0%	8.5%	8.80%
Real estate	10.0%	6.5%	6.30%
Value added fixed income	10.0%	5.8%	6.30%
Hedge Funds	9.0%	5.8%	5.50%
Portfolio Completion Strategies	4.0%	5.5%	0.00%
Timber/natural resources	4.0%	6.6%	5.00%
Total	<u>100.0%</u>		

E. Discount Rate

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

F. Sensitivity Analysis

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

<u>Fiscal Year Ended</u>	<u>1% Decrease to 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 that is associated with the Town was \$111,470,624 and \$9,041,260 respectively, based on a proportionate share of .544034%. 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.

22. Risk Management

The Town 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 Town 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.

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

**June 30, 2016
(Unaudited)**

Other Post-Employment Benefits

<u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) - Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percent- age of Covered Payroll <u>[(b-a)/c]</u>
07/01/15	\$ 1,480,133	\$ 59,530,723	\$ 58,050,590	2.5%	\$ 55,800,298	104.0%
07/01/14	\$ 223,205	\$ 55,878,110	\$ 55,654,905	0.4%	\$ 54,175,047	102.7%
07/01/13	\$ 206,207	\$ 76,840,479	\$ 76,634,272	0.3%	\$ 51,315,046	149.3%
07/01/12	\$ 102,122	\$ 72,027,785	\$ 71,925,663	0.1%	\$ 49,820,433	144.4%
07/01/11	\$ -	\$ 70,683,695	\$ 70,683,695	0.0%	\$ 51,125,535	138.3%

See Independent Auditors' Report.

TOWN OF WESTFORD, MASSACHUSETTS
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016
(Unaudited)

Middlesex Regional Retirement System

<u>Fiscal Year</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2016	3.67%	\$47,358,134	\$ 22,663,136	47.90%	46.13%
June 30, 2015	3.58%	\$42,997,563	\$ 21,791,477	50.70%	47.65%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town</u>	<u>Total Net Pension Liability Associated with the Town</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2016	0.544034%	\$ -	\$ 111,470,624	\$ 111,470,624	\$ 34,485,706	0.00%	55.38%
June 30, 2015	0.530452%	\$ -	\$ 84,322,583	\$ 84,322,583	\$ 32,524,633	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 WESTFORD, MASSACHUSETTS

**SCHEDULE OF PENSION CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2016
(Unaudited)**

<u>Middlesex Regional Retirement System</u>					
<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	\$ 3,993,806	\$ 3,993,806	\$ -	\$ 22,663,136	17.62%
June 30, 2015	\$ 3,808,963	\$ 3,808,963	\$ -	\$ 21,791,477	17.48%

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

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