

**TOWN OF WESTFORD, MASSACHUSETTS**

**Annual Financial Statements**

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

**Town of Westford, Massachusetts**

**TABLE OF CONTENTS**

	<u>PAGE</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	4
<b>BASIC FINANCIAL STATEMENTS:</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Position	12
Statement of Activities	13
<b>Fund Financial Statements:</b>	
<b>Governmental Funds:</b>	
Balance Sheet	14
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities in the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual - General Fund	18
<b>Proprietary Funds:</b>	
Statement of Net Position	19
Statement of Revenues, Expenses, and Changes in Fund Net Position	20
Statement of Cash Flows	21
<b>Fiduciary Funds:</b>	
Statement of Fiduciary Net Position	22
Statement of Changes in Fiduciary Net Position	23
<b>Notes to Financial Statements</b>	24
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
Schedule of Funding Progress	54
Schedule of Proportionate Share of the Net Pension Liability	55
Schedule of Contributions	56

## 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, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Westford, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Schedule of Funding Progress, the Schedule of Proportionate Share of Net Pension Liability, and the Schedule of Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2015 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial 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*

November 24, 2015

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Town of Westford, we offer readers this narrative overview and analysis of the financial activities of the Town of Westford for the fiscal year ended June 30, 2015.

### **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 \$186,749,582 (i.e., net position), a change of \$(1,722,709) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$38,554,841, a change of \$312,917 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$10,455,076, a change of (\$422,095) in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$52,949,808, a change of \$(5,291,009) 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>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 47,450	\$ 45,312	\$ 10,062	\$ 8,652	\$ 57,512	\$ 53,964
Capital assets	<u>226,649</u>	<u>230,393</u>	<u>42,045</u>	<u>43,223</u>	<u>268,694</u>	<u>273,616</u>
Total assets	274,099	275,705	52,107	51,875	326,206	327,580
Long-term liabilities outstanding	112,096	71,141	11,789	12,010	123,885	83,151
Other liabilities	<u>13,084</u>	<u>11,462</u>	<u>2,487</u>	<u>1,722</u>	<u>15,571</u>	<u>13,184</u>
Total liabilities	125,180	82,603	14,276	13,732	139,456	96,335
Net position:						
Net investment in capital assets	185,746	183,716	31,215	31,187	216,961	214,903
Restricted	6,459	6,289	-	-	6,459	6,289
Unrestricted	<u>(43,286)</u>	<u>3,097</u>	<u>6,616</u>	<u>6,956</u>	<u>(36,670)</u>	<u>10,053</u>
Total net position	<u>\$ 148,919</u>	<u>\$ 193,102</u>	<u>\$ 37,831</u>	<u>\$ 38,143</u>	<u>\$ 186,750</u>	<u>\$ 231,245</u>

CHANGES IN NET POSITION

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program revenues:						
Charges for services	\$ 5,485	\$ 5,894	\$ 6,463	\$ 6,402	\$ 11,948	\$ 12,296
Operating grants and contributions	28,174	30,377	-	-	28,174	30,377
Capital grants and contributions	710	1,079	-	-	710	1,079
General revenues:						
Property taxes	69,813	65,632	-	-	69,813	65,632
Excises	3,391	3,254	-	-	3,391	3,254
Penalties and interest on taxes	1,455	1,366	-	-	1,455	1,366
Grants and contributions not restricted to specific programs	2,023	1,962	-	-	2,023	1,962
Intergovernmental	-	-	205	241	205	241
Investment income	204	458	24	8	228	466
Other	1,264	1,596	78	72	1,342	1,668
Total revenues	<u>112,519</u>	<u>111,618</u>	<u>6,770</u>	<u>6,723</u>	<u>119,289</u>	<u>118,341</u>
Expenses:						
General government	6,865	5,943	-	-	6,865	5,943
Public safety	9,452	8,582	-	-	9,452	8,582
Education	69,506	68,623	-	-	69,506	68,623
Public works	9,388	8,485	-	-	9,388	8,485
Health and human services	1,567	1,505	-	-	1,567	1,505
Culture and recreation	1,563	2,120	-	-	1,563	2,120
Employee benefits	14,277	16,528	-	-	14,277	16,528
Interest on long-term debt	1,022	1,292	-	-	1,022	1,292
Intergovernmental	455	431	-	-	455	431
Water operations	-	-	3,716	4,370	3,716	4,370
Ambulance operations	-	-	1,221	1,129	1,221	1,129
Recreation operations	-	-	1,480	1,355	1,480	1,355
Total expenses	<u>114,095</u>	<u>113,509</u>	<u>6,417</u>	<u>6,854</u>	<u>120,512</u>	<u>120,363</u>
Change in net position before transfers	(1,576)	(1,891)	353	(131)	(1,223)	(2,022)
Transfers in (out)	<u>(1,088)</u>	<u>(735)</u>	<u>588</u>	<u>635</u>	<u>(500)</u>	<u>(100)</u>
Change in net position	(2,664)	(2,626)	941	504	(1,723)	(2,122)
Net position - beginning of year (as restated)	<u>151,583</u>	<u>195,728</u>	<u>36,890</u>	<u>37,639</u>	<u>188,473</u>	<u>233,367</u>
Net position - end of year	<u>\$ 148,919</u>	<u>\$ 193,102</u>	<u>\$ 37,831</u>	<u>\$ 38,143</u>	<u>\$ 186,750</u>	<u>\$ 231,245</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 \$186,749,582, a change of \$(1,722,709) from the prior year.

The largest portion of net position \$216,959,918 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 \$6,459,272 represents resources that are subject to external restrictions on how they may be used.

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$(2,663,644). Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ (1,092,431)
Community preservation surplus - accrual basis	727,380
Nonmajor fund surplus - accrual basis	1,675,495
Depreciation expense in excess of principal debt service	(2,348,491)
Accrued other post employment benefits	(3,714,996)
Change in net pension liability	(76,906)
Other	<u>2,166,305</u>
Total	<u>\$ (2,663,644)</u>

**Business-type activities.** Business-type activities for the year resulted in a change in net position of \$940,935. Key elements of this change are as follows:

Water enterprise	\$ 892,461
Ambulance enterprise	181,962
Recreation enterprise	<u>(133,488)</u>
Total	<u>\$ 940,935</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 \$38,554,841, a change of \$312,917 in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$ (1,092,431)
Community preservation	194,789
Nonmajor funds	<u>1,210,559</u>
Total	<u>\$ 312,917</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 \$10,455,076, while total fund balance was \$26,646,281. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/15</u>	<u>6/30/14</u>	<u>Change</u>	% of <u>Total General Fund Expenditures</u>
Unassigned fund balance*	\$ 10,455,076	\$ 10,877,171	\$ (422,095)	11.1%
Total fund balance	\$ 26,646,281	\$ 27,738,712	\$ (1,092,431)	28.3%

\*These figures include the general stabilization fund

The total fund balance of the general fund changed by \$(1,092,431) during the current fiscal year. Key factors in this change are as follows:

Revenue in excess of budget	\$ 354,246
Budgetary appropriation turnbacks	2,899,261
Shortfall of tax collections	607,990
Excess of current year encumbrances, net of prior year encumbrances	453,102
Use of free cash and overlay surplus	(4,922,683)
Use of designated fund balance	(22,253)
Change in stabilization	54,928
Raising of prior year snow and ice deficit	417,572
Other timing issues	<u>(934,594)</u>
Total	<u>\$ (1,092,431)</u>

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

	<u>6/30/15</u>	<u>6/30/14</u>	<u>Change</u>
General stabilization	\$ 4,739,569	\$ 4,690,053	\$ 49,516
Health stabilization	<u>518,349</u>	<u>512,937</u>	<u>5,412</u>
Total	<u>\$ 5,257,918</u>	<u>\$ 5,202,990</u>	<u>\$ 54,928</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 \$6,616,239, a change of \$(340,183) 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 \$268,693,641 (net of accumulated depreciation), a change of \$(4,922,886) 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:

- \$900,000 for the Timberlake Land acquisition
- \$530,834 for a new Fire Pumper Truck
- \$436,759 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 \$52,949,808, 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, 2015

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 19,603,030	\$ 7,608,830	\$ 27,211,860
Investments	25,706,398	715,436	26,421,834
Receivables, net of allowance for uncollectibles:			
Property taxes	802,103	-	802,103
Excises	192,291	-	192,291
Departmental and other	303,246	-	303,246
User fees	-	1,512,680	1,512,680
Other assets	25,000	-	25,000
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	577,597	-	577,597
Net other post-employment benefits	-	220,842	220,842
Other assets	100,000		100,000
Capital assets			
Land and construction in progress	39,199,770	2,780,590	41,980,360
Other capital assets, net of accumulated depreciation	187,448,752	39,264,529	226,713,281
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>140,951</u>	<u>4,255</u>	<u>145,206</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>274,099,138</b>	<b>52,107,162</b>	<b>326,206,300</b>
<b>LIABILITIES</b>			
Current:			
Warrants payable	1,802,332	201,780	2,004,112
Accrued liabilities	935,736	70,207	1,005,943
Notes payable	2,490,000	1,060,000	3,550,000
Tax refunds payable	1,057,000	-	1,057,000
Other current liabilities	1,042,993	-	1,042,993
Current portion of long-term liabilities:			
Bonds payable	5,664,014	1,148,772	6,812,786
Compensated absences	72,341	6,774	79,115
Bond premium	20,122	-	20,122
Noncurrent:			
Bonds payable, net of current portion	36,286,056	9,850,966	46,137,022
Compensated absences, net of current portion	1,374,488	140,793	1,515,281
Bond premium, net of current portion	75,160	-	75,160
Accrued other post employment benefits	32,622,271	537,350	33,159,621
Net pension liability	<u>41,737,734</u>	<u>1,259,829</u>	<u>42,997,563</u>
<b>TOTAL LIABILITIES</b>	<b>125,180,247</b>	<b>14,276,471</b>	<b>139,456,718</b>
<b>NET POSITION</b>			
Net investment in capital assets	185,745,466	31,214,452	216,959,918
Restricted for:			
State and federal grants	3,784,412	-	3,784,412
Permanent funds:			
Nonexpendable	639,068	-	639,068
Expendable	2,035,792	-	2,035,792
Unrestricted	<u>(43,285,847)</u>	<u>6,616,239</u>	<u>(36,669,608)</u>
<b>TOTAL NET POSITION</b>	<b>\$ <u>148,918,891</u></b>	<b>\$ <u>37,830,691</u></b>	<b>\$ <u>186,749,582</u></b>

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

TOWN OF WESTFORD, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Governmental Activities:</b>							
General government	\$ 6,864,863	\$ 388,020	\$ 752,740	\$ -	\$ (5,724,103)	\$ -	\$ (5,724,103)
Public safety	9,452,118	748,706	71,787	-	(8,631,625)	-	(8,631,625)
Education	69,506,197	3,716,940	26,804,748	-	(38,984,509)	-	(38,984,509)
Public works	9,388,207	87,509	-	710,155	(8,590,543)	-	(8,590,543)
Health and human services	1,567,013	315,274	370,050	-	(881,689)	-	(881,689)
Culture and recreation	1,562,931	228,415	175,059	-	(1,159,457)	-	(1,159,457)
Employee benefits	14,276,742	-	-	-	(14,276,742)	-	(14,276,742)
Interest	1,021,702	-	-	-	(1,021,702)	-	(1,021,702)
Intergovernmental	455,316	-	-	-	(455,316)	-	(455,316)
Total Governmental Activities	114,095,089	5,484,864	28,174,384	710,155	(79,725,686)	-	(79,725,686)
<b>Business-Type Activities:</b>							
Water services	3,716,303	4,245,541	-	-	-	529,238	529,238
Ambulance	1,220,471	970,434	-	-	-	(250,037)	(250,037)
Recreation	1,480,142	1,247,006	-	-	-	(233,136)	(233,136)
Total Business-Type Activities	6,416,916	6,462,981	-	-	-	46,065	46,065
Total	\$ 120,512,005	\$ 11,947,845	\$ 28,174,384	\$ 710,155	(79,725,686)	46,065	(79,679,621)
<b>General Revenues, Contributions, and Transfers:</b>							
Property taxes					69,812,540	-	69,812,540
Excises					3,390,796	-	3,390,796
Penalties, interest and other taxes					1,454,827	-	1,454,827
Grants and contributions not restricted to specific programs					2,023,443	-	2,023,443
Intergovernmental revenue					-	205,145	205,145
Investment income					203,567	23,862	227,429
Miscellaneous					1,264,464	78,268	1,342,732
Transfers (net)					(1,087,595)	587,595	(500,000)
Total general revenues, contributions, and transfers					77,062,042	894,870	77,956,912
Change in Net Position					(2,663,644)	940,935	(1,722,709)
<b>Net Position:</b>							
Beginning of year, as restated					151,582,535	36,889,756	188,472,291
End of year					\$ 148,918,891	\$ 37,830,691	\$ 186,749,582

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

TOWN OF WESTFORD, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2015

	General Fund	Community Preservation Act Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and short-term investments	\$ 12,230,713	\$ -	\$ 7,372,317	\$ 19,603,030
Investments	18,456,395	4,903,709	2,346,294	25,706,398
Receivables:				
Property taxes	1,510,726	24,903	-	1,535,629
Excises	215,144	-	-	215,144
Departmental and other	79,570	-	207,102	286,672
	<u>32,492,548</u>	<u>4,928,612</u>	<u>9,925,713</u>	<u>47,346,873</u>
<b>TOTAL ASSETS</b>	<b>\$ 32,492,548</b>	<b>\$ 4,928,612</b>	<b>\$ 9,925,713</b>	<b>\$ 47,346,873</b>
<b>LIABILITIES</b>				
Warrants payable	\$ 1,568,573	\$ 22,340	\$ 211,419	\$ 1,802,332
Accrued liabilities	685,694	-	-	685,694
Notes payable	-	-	2,490,000	2,490,000
Tax refunds payable	1,057,000	-	-	1,057,000
Other liabilities	1,042,993	-	-	1,042,993
	<u>4,354,260</u>	<u>22,340</u>	<u>2,701,419</u>	<u>7,078,019</u>
<b>TOTAL LIABILITIES</b>	<b>4,354,260</b>	<b>22,340</b>	<b>2,701,419</b>	<b>7,078,019</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>1,492,007</b>	<b>24,904</b>	<b>207,102</b>	<b>1,724,013</b>
<b>FUND BALANCES</b>				
Nonspendable	-	-	639,068	639,068
Restricted	11,457,910	-	7,114,822	18,572,732
Committed	3,283,729	4,881,368	-	8,165,097
Assigned	1,449,566	-	-	1,449,566
Unassigned	10,455,076	-	(736,698)	9,718,378
	<u>26,646,281</u>	<u>4,881,368</u>	<u>7,017,192</u>	<u>38,544,841</u>
<b>TOTAL FUND BALANCES</b>	<b>26,646,281</b>	<b>4,881,368</b>	<b>7,017,192</b>	<b>38,544,841</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 32,492,548</b>	<b>\$ 4,928,612</b>	<b>\$ 9,925,713</b>	<b>\$ 47,346,873</b>

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, 2015

<b>Total governmental fund balances</b>	\$ 38,544,841
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	226,648,522
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,561,804
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(250,042)
• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(75,989,451)
• Certain changes in the net pension liability, which are deferred to future reporting periods, are not reported in the governmental funds.	<u>(41,596,783)</u>
<b>Net position of governmental activities</b>	<u>\$ 148,918,891</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, 2015

	General Fund	Community Preservation Act Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property taxes	\$ 67,936,878	\$ 1,568,219	\$ -	\$ 69,505,097
Excises	3,342,942	-	-	3,342,942
Penalties, interest and other taxes	1,420,978	3,840	-	1,424,818
Betterments	21,816	-	-	21,816
Charges for services	-	-	4,244,770	4,244,770
Departmental	33,031	-	-	33,031
Intergovernmental	19,917,085	514,377	4,621,752	25,053,214
Licenses and permits	1,097,761	-	-	1,097,761
Fines and forfeitures	90,120	-	-	90,120
Investment income	123,910	61,063	18,594	203,567
Miscellaneous	1,164,202	-	147,238	1,311,440
<b>Total Revenues</b>	<b>95,148,723</b>	<b>2,147,499</b>	<b>9,032,354</b>	<b>106,328,576</b>
<b>Expenditures:</b>				
Current:				
General government	4,328,851	1,718,552	983,586	7,030,989
Public safety	9,012,190	-	631,915	9,644,105
Education	52,002,376	-	7,047,452	59,049,828
Public works	5,865,175	-	1,096,000	6,961,175
Health and human services	1,025,140	-	497,893	1,523,033
Culture and recreation	1,964,424	-	355,793	2,320,217
Employee benefits	12,682,515	-	-	12,682,515
Debt service	6,657,161	-	-	6,657,161
Intergovernmental	455,316	-	-	455,316
<b>Total Expenditures</b>	<b>93,993,148</b>	<b>1,718,552</b>	<b>10,612,639</b>	<b>106,324,339</b>
Excess (deficiency) of revenues over expenditures	1,155,575	428,947	(1,580,285)	4,237
<b>Other Financing Sources (Uses):</b>				
Bond proceeds	-	-	1,396,275	1,396,275
Transfers in	76,206	-	1,507,486	1,583,692
Transfers out	(2,324,212)	(234,158)	(112,917)	(2,671,287)
<b>Total Other Financing Sources (Uses)</b>	<b>(2,248,006)</b>	<b>(234,158)</b>	<b>2,790,844</b>	<b>308,680</b>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(1,092,431)	194,789	1,210,559	312,917
Fund Equity, at Beginning of Year	27,738,712	4,686,579	5,806,633	38,231,924
Fund Equity, at End of Year	<u>\$ 26,646,281</u>	<u>\$ 4,881,368</u>	<u>\$ 7,017,192</u>	<u>\$ 38,544,841</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, 2015

<b>Net changes in fund balances - total governmental funds</b>	<b>\$ 312,917</b>																				
<ul style="list-style-type: none"> <li>• Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table border="0" style="margin-left: 40px;"> <tr> <td>Capital outlay purchases</td> <td style="text-align: right;">4,259,301</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(8,003,854)</td> </tr> </table> </li> <li>• Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">347,168</td> </tr> </table> </li> <li>• The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table border="0" style="margin-left: 40px;"> <tr> <td>Repayments of debt</td> <td style="text-align: right;">5,655,363</td> </tr> <tr> <td>Amortization of refunding</td> <td style="text-align: right;">(75,835)</td> </tr> <tr> <td>Issuance of debt</td> <td style="text-align: right;">(1,411,276)</td> </tr> <tr> <td>Amortization of bond premium</td> <td style="text-align: right;">22,061</td> </tr> </table> </li> <li>• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">33,870</td> </tr> </table> </li> <li>• 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. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(3,726,453)</td> </tr> </table> </li> <li>• Certain changes in the net pension liability, which are deferred to future reporting periods, are not reported in the governmental funds. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(76,906)</td> </tr> </table> </li> </ul>		Capital outlay purchases	4,259,301	Depreciation	(8,003,854)		347,168	Repayments of debt	5,655,363	Amortization of refunding	(75,835)	Issuance of debt	(1,411,276)	Amortization of bond premium	22,061		33,870		(3,726,453)		(76,906)
Capital outlay purchases	4,259,301																				
Depreciation	(8,003,854)																				
	347,168																				
Repayments of debt	5,655,363																				
Amortization of refunding	(75,835)																				
Issuance of debt	(1,411,276)																				
Amortization of bond premium	22,061																				
	33,870																				
	(3,726,453)																				
	(76,906)																				
<b>Change in net position of governmental activities</b>	<b>\$ <u>(2,663,644)</u></b>																				

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
<b>Revenues and Other Sources:</b>				
Taxes	\$ 67,328,888	\$ 67,328,888	\$ 67,328,888	\$ -
Excise	3,350,000	3,350,000	3,342,942	(7,058)
Penalties, interest and other taxes	1,270,846	1,270,846	1,420,978	150,132
Departmental	30,500	30,500	33,031	2,531
Betterments	16,693	16,693	21,816	5,123
Intergovernmental	19,904,644	19,904,644	19,917,085	12,441
Licenses and permits	1,463,912	1,463,912	1,097,761	(366,151)
Fines and forfeits	113,000	113,000	90,120	(22,880)
Investment income	35,000	35,000	43,556	8,556
Miscellaneous	1,797,411	1,797,411	2,317,757	520,346
Transfers in	25,000	25,000	76,206	51,206
Use of free cash	4,871,477	4,871,477	4,871,477	-
Use of designated fund balance	22,253	22,253	22,253	-
Toher Sources	51,206	51,206	51,206	-
<b>Total Revenues and Other Sources</b>	<b>100,280,830</b>	<b>100,280,830</b>	<b>100,635,076</b>	<b>354,246</b>
<b>Expenditures and Other Uses:</b>				
General government	5,225,741	5,225,741	4,679,713	546,028
Public safety	9,082,658	9,082,658	8,936,157	146,501
Education	52,437,546	52,437,546	52,088,909	348,637
Public works	6,115,995	6,115,995	5,963,169	152,826
Health and human services	1,115,649	1,115,649	1,027,940	87,709
Culture and recreation	2,012,311	2,012,311	1,995,219	17,092
Debt service	6,913,279	6,913,279	6,766,848	146,431
Intergovernmental	420,231	420,231	455,316	(35,085)
Employee benefits	14,131,788	14,131,788	12,642,666	1,489,122
Transfers out	2,214,525	2,214,525	2,214,525	-
Other uses-snow and ice deficit raised	611,107	611,107	611,107	-
<b>Total Expenditures and Other Uses</b>	<b>100,280,830</b>	<b>100,280,830</b>	<b>97,381,569</b>	<b>2,899,261</b>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 3,253,507	\$ 3,253,507

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

TOWN OF WESTFORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2015

	Business-Type Activities Enterprise Fund			
	Water Fund	Ambulance Fund	Recreation Fund	Total Fund
<b>ASSETS</b>				
Current:				
Cash and short-term investments	\$ 6,636,062	\$ 600,228	\$ 372,540	\$ 7,608,830
Investments	715,436	-	-	715,436
User fees, net of allowance for uncollectibles	<u>946,802</u>	<u>565,878</u>	<u>-</u>	<u>1,512,680</u>
Total current assets	8,298,300	1,166,106	372,540	9,836,946
Noncurrent:				
Capital Assets:				
Land and construction in progress	2,505,843	-	274,747	2,780,590
Other capital assets, net of accumulated depreciation	38,640,070	299,628	324,831	39,264,529
Net other post employment benefits	<u>220,842</u>	<u>-</u>	<u>-</u>	<u>220,842</u>
Total noncurrent assets	<u>41,366,755</u>	<u>299,628</u>	<u>599,578</u>	<u>42,265,961</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>2,149</u>	<u>436</u>	<u>1,670</u>	<u>4,255</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	49,667,204	1,466,170	973,788	52,107,162
<b>LIABILITIES</b>				
Current:				
Warrants payable	139,113	25,233	37,434	201,780
Accrued liabilities	69,989	218	-	70,207
Notes payable	1,060,000	-	-	1,060,000
Current portion of long-term liabilities:				
Bonds payable	1,103,772	45,000	-	1,148,772
Compensated absences	<u>3,986</u>	<u>1,451</u>	<u>1,337</u>	<u>6,774</u>
Total current liabilities	2,376,860	71,902	38,771	2,487,533
Noncurrent:				
Bonds payable, net of current portion	9,760,966	90,000	-	9,850,966
Compensated absences	87,834	27,561	25,398	140,793
Accrued other post employment benefits	-	111,109	426,241	537,350
Net pension liability	<u>636,364</u>	<u>128,993</u>	<u>494,472</u>	<u>1,259,829</u>
Total noncurrent liabilities	<u>10,485,164</u>	<u>357,663</u>	<u>946,111</u>	<u>11,788,938</u>
<b>TOTAL LIABILITIES</b>	12,862,024	429,565	984,882	14,276,471
<b>NET POSITION</b>				
Net investment in capital assets	30,450,246	164,628	599,578	31,214,452
Unrestricted	<u>6,354,934</u>	<u>871,977</u>	<u>(610,672)</u>	<u>6,616,239</u>
<b>TOTAL NET POSITION</b>	<u>\$ 36,805,180</u>	<u>\$ 1,036,605</u>	<u>\$ (11,094)</u>	<u>\$ 37,830,691</u>

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, 2015

	Business-Type Activities Enterprise Fund			
	Water Fund	Ambulance Fund	Recreation Fund	Total Fund
<b>Operating Revenues:</b>				
Charges for services	\$ 4,245,541	\$ 970,434	\$ 1,247,006	\$ 6,462,981
Other	<u>78,268</u>	<u>-</u>	<u>-</u>	<u>78,268</u>
Total Operating Revenues	4,323,809	970,434	1,247,006	6,541,249
<b>Operating Expenses:</b>				
Operating expenses	1,965,276	1,146,433	1,311,682	4,423,391
Depreciation	1,495,726	48,043	83,428	1,627,197
Employee benefits	2,738	22,053	85,032	109,823
Other	<u>33,506</u>	<u>-</u>	<u>-</u>	<u>33,506</u>
Total Operating Expenses	<u>3,497,246</u>	<u>1,216,529</u>	<u>1,480,142</u>	<u>6,193,917</u>
Operating Income (Loss)	826,563	(246,095)	(233,136)	347,332
<b>Nonoperating Revenues (Expenses):</b>				
Intergovernmental revenue	205,145	-	-	205,145
Investment income	22,348	926	588	23,862
Interest expense	<u>(219,057)</u>	<u>(3,942)</u>	<u>-</u>	<u>(222,999)</u>
Total Nonoperating Revenues (Expenses), Net	<u>8,436</u>	<u>(3,016)</u>	<u>588</u>	<u>6,008</u>
Net Income or Loss Before Transfers	834,999	(249,111)	(232,548)	353,340
<b>Transfers:</b>				
Transfers In	60,637	431,073	99,060	590,770
Transfers Out	<u>(3,175)</u>	<u>-</u>	<u>-</u>	<u>(3,175)</u>
Change in Net Position	892,461	181,962	(133,488)	940,935
Net Position at Beginning of Year, as restated	<u>35,912,719</u>	<u>854,643</u>	<u>122,394</u>	<u>36,889,756</u>
Net Position at End of Year	<u>\$ 36,805,180</u>	<u>\$ 1,036,605</u>	<u>\$ (11,094)</u>	<u>\$ 37,830,691</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, 2015

	Business-Type Activities Enterprise Funds			Total
	Water Fund	Ambulance Fund	Recreation Fund	
<b>Cash Flows From Operating Activities:</b>				
Receipts from customers and users	\$ 4,178,314	\$ 835,297	\$ 1,247,006	\$ 6,260,617
Payments to vendors and employees	(2,671,786)	(1,162,396)	(1,304,692)	(5,138,874)
Net Cash Provided By (Used For) Operating Activities	1,506,528	(327,099)	(57,686)	1,121,743
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Acquisition, construction, and disposition of capital assets	(396,560)	(52,304)	-	(448,864)
Issuance of bonds and notes	685,000	-	-	685,000
Payments on bond and notes	(1,001,922)	(45,000)	-	(1,046,922)
Interest expense	(219,057)	(3,942)	-	(222,999)
Intergovernmental revenue	205,145	-	-	205,145
Net Cash (Used For) Capital and Related Financing Activities	(727,394)	(101,246)	-	(828,640)
<b>Cash Flows From Noncapital Financing Activities:</b>				
Transfers in	60,637	431,073	99,060	590,770
Transfers out	(3,175)	-	-	(3,175)
Net Cash Provided By Noncapital Financing Activities	57,462	431,073	99,060	587,595
<b>Cash Flows From Investing Activities:</b>				
Investment income	(693,088)	926	588	(691,574)
Net Cash Provided By Investing Activities	(693,088)	926	588	(691,574)
Net Change in Cash and Short-Term Investments	143,508	3,654	41,962	189,124
Cash and Short-Term Investments, Beginning of Year	6,492,554	596,574	330,578	7,419,706
Cash and Short-Term Investments, End of Year	\$ 6,636,062	\$ 600,228	\$ 372,540	\$ 7,608,830
<b>Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities:</b>				
Operating income (loss)	\$ 826,563	\$ (246,095)	\$ (233,136)	\$ 347,332
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	1,495,726	48,043	83,428	1,627,197
Changes in assets and liabilities:				
Receivables	(145,495)	(135,137)	-	(280,632)
Warrants payable	(4,227)	(17,246)	7,381	(14,092)
Other assets	(222,991)	(436)	(1,670)	(225,097)
Compensated absences	3,986	1,283	(391)	4,878
Accrued other post employment benefits	(442,242)	21,815	84,121	(336,306)
Accrued liabilities	(8,114)	-	-	(8,114)
Net pension liability	3,322	674	2,581	6,577
Net Cash Provided By (Used For) Operating Activities	\$ 1,506,528	\$ (327,099)	\$ (57,686)	\$ 1,121,743

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

TOWN OF WESTFORD, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2015

	<u>Agency Funds</u>	<u>Other Post-Employment Benefits Trust Fund</u>
<b><u>ASSETS</u></b>		
Cash and short-term investments	\$ 1,007,325	\$ -
Investments	-	734,240
Departmental receivables	<u>155,431</u>	<u>-</u>
Total Assets	1,162,756	734,240
<b><u>LIABILITIES AND NET POSITION</u></b>		
Warrants payable	39,250	-
Escrow deposits	<u>1,123,506</u>	<u>-</u>
Total Liabilities	<u>1,162,756</u>	<u>-</u>
<b><u>NET POSITION</u></b>		
Total net position held in trust	<u>\$ -</u>	<u>\$ 734,240</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, 2015

	Other Post-Employment Benefits Trust <u>Fund</u>
<b>Additions:</b>	
Interest income	\$ 11,035
Transfers in	<u>500,000</u>
Total additions	511,035
<b>Net position:</b>	
Beginning of year	<u>223,205</u>
End of year	<u><u>\$ 734,240</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 2015, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

#### B. Government-wide and Fund Financial Statements

##### Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment 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 2015 tax levy reflected an excess capacity of \$35,000.

*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 gov-

ernmental 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)	\$ 95,148,723	\$ 93,993,148
Other financing sources/uses (GAAP basis)	<u>76,206</u>	<u>2,324,212</u>
Subtotal (GAAP Basis)	95,224,929	96,317,360
Adjust tax revenue to accrual basis	(607,990)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(3,756,344)
Add end-of-year appropriation carryforwards from expenditures	-	4,209,446
To record use of free cash	4,922,683	-
To record raising of prior year's snow and ice	-	417,572
To record use of designated fund balance	22,253	-
To remove unbudgeted stabilization fund	(54,928)	-
Other timing issues	<u>1,128,129</u>	<u>193,535</u>
Budgetary basis	<u>\$ 100,635,076</u>	<u>\$ 97,381,569</u>

D. Deficit Fund Equity

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

Police - Pedestrian Grant FY15	\$ (302)
Police - Traffic Grant FY15	(1,985)
Police underage alcohol FY15	(882)
Police 911 Support-FY15	(40,449)
Police 911 Support-FY14	(7,438)
Police 911 Training FY15	(7,835)
Police 911 Training FY14	(6,857)
Police 911 Training FY13	(745)
Sustainable Water Management	(60,031)
SPED 94-142	(7,179)
Master design	(204,540)
Abbot/Rob windows	(258,135)
Chapter 90	<u>(140,320)</u>
Total	<u>\$ (736,698)</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, 2015, \$21,339,804 of the Town's bank balances of \$29,531,168 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	\$ 13,317	N/A	\$ 13,317	\$ -	\$ -
Certificates of deposits	3,027		-	3,027	-
Corporate bonds	2,258		-	961	1,297
Corporate equities	2,507	N/A	2,507	-	-
Mutual funds	2,868	N/A	2,868	-	-
Federal agency securities	<u>3,179</u>		<u>-</u>	<u>3,179</u>	<u>-</u>
Total investments	<u>\$ 27,156</u>		<u>\$ 18,692</u>	<u>\$ 7,167</u>	<u>\$ 1,297</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 \$27,156,074 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 does not have an investment in one issuer greater than 5% of total investments.

**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	\$ 13,317	\$ 1,243	\$ 7,362	\$ 4,712	\$ -	\$ -
Certificates of deposit	3,027	736	2,291	-	-	-
Corporate bonds	2,258	404	1,854	-	-	-
Corporate equities	2,507	-	-	-	-	2,507
Mutual funds	2,868	-	-	-	-	2,868
Federal agency securities	<u>3,179</u>	<u>1</u>	<u>3,123</u>	<u>11</u>	<u>44</u>	<u>-</u>
Total	<u>\$ 27,156</u>	<u>\$ 2,384</u>	<u>\$ 14,630</u>	<u>\$ 4,723</u>	<u>\$ 44</u>	<u>\$ 5,375</u>

**E. Foreign Currency Risk**

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

**5. Taxes Receivable**

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

Taxes receivable at June 30, 2015 consist of the following (in thousands):

Real Estate		
2015	\$ 544	
2014	9	
2013	<u>1</u>	554
Personal Property		
2015	67	
2014	5	
2013	2	
Prior	<u>2</u>	76
Tax Liens		642
Deferred Taxes		<u>238</u>
Total		\$ <u>1,510</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	\$ 130	\$ -
Excises	\$ 23	\$ -
Utilities	\$ -	\$ 179
Other	\$ 8	\$ -

**7. Intergovernmental Receivables**

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2015.

**8. Interfund Fund Transfers**

Transfers between Governmental and Business-Type Activities do not offset by \$(500,000). This is due to a transfer between the Other Post-Employment Benefits Trust fund and Governmental funds.

## 9. Capital Assets

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

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 143,728	\$ 1,006	\$ -	\$ 144,734
Machinery, equipment, and furnishings	31,802	1,917	(97)	33,622
Infrastructure	<u>130,832</u>	<u>-</u>	<u>-</u>	<u>130,832</u>
Total capital assets, being depreciated	306,362	2,923	(97)	309,188
Less accumulated depreciation for:				
Buildings and improvements	(49,917)	(3,376)	-	(53,293)
Machinery, equipment, and furnishings	(14,649)	(1,417)	97	(15,969)
Infrastructure	<u>(49,266)</u>	<u>(3,211)</u>	<u>-</u>	<u>(52,477)</u>
Total accumulated depreciation	<u>(113,832)</u>	<u>(8,004)</u>	<u>97</u>	<u>(121,739)</u>
Total capital assets, being depreciated, net	192,530	(5,081)	-	187,449
Capital assets, not being depreciated:				
Land	31,014	900	-	31,914
Construction in progress	<u>6,850</u>	<u>436</u>	<u>-</u>	<u>7,286</u>
Total capital assets, not being depreciated	<u>37,864</u>	<u>1,336</u>	<u>-</u>	<u>39,200</u>
Governmental activities capital assets, net	<u>\$ 230,394</u>	<u>\$ (3,745)</u>	<u>\$ -</u>	<u>\$ 226,649</u>
	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 16,739	\$ -	\$ -	\$ 16,739
Machinery, equipment, and furnishings	2,431	78	-	2,509
Infrastructure	<u>40,923</u>	<u>-</u>	<u>-</u>	<u>40,923</u>
Total capital assets, being depreciated	60,093	78	-	60,171
Less accumulated depreciation for:				
Buildings and improvements	(6,263)	(707)	-	(6,970)
Machinery, equipment, and furnishings	(1,621)	(122)	-	(1,743)
Infrastructure	<u>(11,396)</u>	<u>(798)</u>	<u>-</u>	<u>(12,194)</u>
Total accumulated depreciation	<u>(19,280)</u>	<u>(1,627)</u>	<u>-</u>	<u>(20,907)</u>
Total capital assets, being depreciated, net	40,813	(1,549)	-	39,264
Capital assets, not being depreciated:				
Land	2,390	-	-	2,390
Construction in progress	<u>20</u>	<u>371</u>	<u>-</u>	<u>391</u>
Total capital assets, not being depreciated	<u>2,410</u>	<u>371</u>	<u>-</u>	<u>2,781</u>
Business-type activities capital assets, net	<u>\$ 43,223</u>	<u>\$ (1,178)</u>	<u>\$ -</u>	<u>\$ 42,045</u>

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

Governmental Activities:	
General government	\$ 114
Public safety	461
Education	3,617
Public works	3,585
Culture and recreation	166
Health and Human Services	<u>61</u>
Total depreciation expense - governmental activities	<u>\$ 8,004</u>
Business-Type Activities:	
Water	\$ 1,496
Ambulance	48
Recreation	<u>83</u>
Total depreciation expense - business-type activities	<u>\$ 1,627</u>

#### 10. **Deferred Outflows of Resources**

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

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

	<u>Entity-wide Basis</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net difference between projected and actual pension investment earnings	\$ 140,951	\$ 4,255

#### 11. **Warrants Payable**

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

#### 12. **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.

#### 13. **Anticipation Notes Payable**

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

	Interest Rate	Date of Issue	Date of Maturity	Balance at 6/30/15
General purpose	0.55%	12/19/14	03/18/16	\$ 250,000
General purpose	0.50%	06/05/15	06/03/16	<u>3,300,000</u>
Total				<u>\$ 3,550,000</u>

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

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
General purpose	\$ <u>1,492,792</u>	\$ <u>3,300,000</u>	\$ <u>(1,242,792)</u>	\$ <u>3,550,000</u>
Total	\$ <u>1,492,792</u>	\$ <u>3,300,000</u>	\$ <u>(1,242,792)</u>	\$ <u>3,550,000</u>

## 14. 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:

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/15
<u>Governmental Activities:</u>			
Title V	08/01/19	0.00%	\$ 20,070
Elementary school construction	06/01/22	4.14%	9,165,000
Elementary school construction	12/01/22	4.49%	1,555,000
Middle school construction	06/01/22	4.14%	8,735,000
Middle school construction	12/01/22	4.49%	1,480,000
Highway garage	06/01/18	3.68%	150,000
East Boston camps CPA	04/01/19	4.0 - 5.5%	2,845,000
Academy refunding	06/30/20	4.00%	6,735,000
Town Hall	04/15/10	3.68%	1,750,000
Senior center	11/15/09	3.47%	3,000,000
Elevator 2013	06/01/23	1.40%	360,000
Sweeper 2013	06/01/18	0.88%	120,000
Police communications 2013	06/01/22	1.29%	140,000
Boiler 2013	06/01/22	1.29%	70,000
Sewer refunding 2013	06/01/19	0.96%	380,000
Highway refunding 2013	06/01/16	0.77%	80,000
Highway refunding 2014	04/25/24	1.54%	<u>5,365,000</u>
Total Governmental Activities:			<u>\$ 41,950,070</u>

<u>Business-Type Activities:</u>	Serial	Interest	Amount
<u>Water Enterprise</u>	<u>Maturities</u>	<u>Rate(s) %</u>	<u>Outstanding</u>
	<u>Through</u>		<u>as of</u>
			<u>6/30/15</u>
Filtration plant - MWPAT	02/01/21	1.11%	\$ 855,000
MWPAT	08/01/22	1.13%	5,525,000
Water bonds	09/15/23	3.60%	299,000
Water bonds	09/15/23	3.60%	251,000
Water bonds	04/01/18	3.01%	300,000
MWPAT DW 08-16	07/15/30	2.00%	187,709
MWPAT DW 09-07	07/15/30	2.00%	1,562,029
2013 Water bond	06/01/33	2.36%	1,380,000
2013 Water bond	06/01/33	2.36%	<u>505,000</u>
Total Water:			<u>10,864,738</u>
 <u>Ambulance Enterprise</u>			
Ambulance 2013	06/01/18	0.88%	<u>135,000</u>
Total Business-Type Activities:			<u>\$ 10,999,738</u>

**B. Future Debt Service**

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

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 5,664,014	\$ 1,641,334	\$ 7,305,348
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 - 2025	12,570,000	1,284,172	13,854,172
2026 - 2030	<u>1,500,000</u>	<u>160,625</u>	<u>1,660,625</u>
Total	<u>\$ 41,950,070</u>	<u>\$ 7,512,098</u>	<u>\$ 49,462,168</u>
 <u>Business-Type</u>			
2016	\$ 1,148,772	\$ 201,082	\$ 1,349,854
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 - 2025	3,629,303	315,786	3,945,089
2026 - 2030	1,155,839	147,535	1,303,374
Thereafter	<u>501,463</u>	<u>24,064</u>	<u>525,527</u>
Total	<u>\$ 10,999,738</u>	<u>\$ 1,266,871</u>	<u>\$ 12,266,609</u>

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

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

	Total Balance <u>7/1/14</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/15</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/15</u>
<b><u>Governmental Activities</u></b>						
Bonds payable	\$ 46,194	\$ 1,411	\$ (5,655)	\$ 41,950	\$ (5,664)	\$ 36,286
Other:						
Compensated absences	1,436	11	-	1,447	(72)	1,375
Bond premium	117	-	(22)	95	(20)	75
Accrued other post-employment benefits	28,907	3,715	-	32,622	-	32,622
Net pension liability	41,520	218	-	41,738	-	41,738
Totals	\$ <u>118,174</u>	\$ <u>5,355</u>	\$ <u>(5,677)</u>	\$ <u>117,852</u>	\$ <u>(5,756)</u>	\$ <u>112,096</u>
<b><u>Business-Type Activities</u></b>						
Bonds payable	\$ 12,047	\$ -	\$ (1,047)	\$ 11,000	\$ (1,149)	\$ 9,851
Other:						
Compensated absences	143	5	-	148	(7)	141
Accrued other post-employment benefits	874	-	(337)	537	-	537
Net pension liability	1,253	7	-	1,260	-	1,260
Totals	\$ <u>14,317</u>	\$ <u>12</u>	\$ <u>(1,384)</u>	\$ <u>12,945</u>	\$ <u>(1,156)</u>	\$ <u>11,789</u>

**15. Deferred Inflows of Resources**

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

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

	Fund Basis		
	Governmental Funds		
	<u>General Fund</u>	<u>CPA</u>	<u>Nonmajor</u>
Unavailable revenues	\$ 1,492,007	\$ 24,904	\$ 207,102

**16. 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.

## **17. 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, 2015:

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

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

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting, 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, 2015:

	<u>General Fund</u>	<u>CPA Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Nonspendable</b>				
Nonexpendable permanent funds	\$ -	\$ -	\$ 639,068	\$ 639,068
Total Nonspendable	-	-	639,068	639,068
<b>Restricted</b>				
Reserve for debt service	11,457,910	-	-	11,457,910
Capital project funds	-	-	1,650,008	1,650,008
Special revenue funds	-	-	3,918,116	3,918,116
Expendable permanent funds	-	-	1,546,698	1,546,698
Total Restricted	11,457,910	-	7,114,822	18,572,732
<b>Committed</b>				
Reserve for continuing appropriations				
General government	740,816	-	-	740,816
Public safety	51,344	-	-	51,344
Education	465,762	-	-	465,762
Public works	1,373,984	-	-	1,373,984
Culture and recreation	133,474	-	-	133,474
Community preservation act funds	-	4,881,368	-	4,881,368
Health stabilization	518,349	-	-	518,349
Total Committed	3,283,729	4,881,368	-	8,165,097
<b>Assigned</b>				
Reserved for encumbrances				
General government	434,119	-	-	434,119
Public safety	9,967	-	-	9,967
Education	926,093	-	-	926,093
Public works	59,664	-	-	59,664
Culture and recreation	5,403	-	-	5,403
Health and human services	8,820	-	-	8,820
Reserved for petty cash	5,500	-	-	5,500
Total Assigned	1,449,566	-	-	1,449,566
<b>Unassigned</b>				
General fund	5,715,507	-	-	5,715,507
General stabilization	4,739,569	-	-	4,739,569
Special revenue funds	-	-	(133,703)	(133,703)
Capital project funds	-	-	(602,995)	(602,995)
Total Unassigned	10,455,076	-	(736,698)	9,718,378
Total Fund Balances	\$ 26,646,281	\$ 4,881,368	\$ 7,017,192	\$ 38,544,841

## **18. 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 overexpend 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	\$ 10,455,076
Stabilization	(4,739,569)
Tax refund estimate	<u>1,057,000</u>
Statutory (UMAS) Balance	<u><u>\$ 6,772,507</u></u>

**19. 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.

**20. Post-Employment Healthcare and Life Insurance Benefits**

**Other Post-Employment Benefits**

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the state-

ment 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 2015 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2015, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of July 1, 2014

Annual Required Contribution (ARC)	\$ 6,122,503
Interest on net OPEB obligation	1,191,236
Adjustment to ARC	<u>(1,281,873)</u>
Annual OPEB cost	6,031,866
Contributions made	<u>(2,874,017)</u>
Increase in net OPEB obligation	3,157,849
Net OPEB obligation - beginning of year	<u>29,780,930</u>
Net OPEB obligation - end of year	<u><u>\$ 32,938,779</u></u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 6,031,866	28%	\$ 32,938,779
2014	\$ 8,018,030	28%	\$ 29,780,930
2013	\$ 8,536,800	24%	\$ 24,014,079

The Town's net OPEB obligation as of June 30, 2015 is recorded as a component of the "other long-term liabilities" line item.

*E. Funded Status and Funding Progress*

The funded status of the plan as of July 1, 2014, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 55,878,110
Actuarial value of plan assets	<u>(223,205)</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 55,654,905</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0.4%</u>
Covered payroll (active plan members)	<u>\$ 54,175,047</u>
UAAL as a percentage of covered payroll	<u>103%</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%.

**21. 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.

## B. Benefits Provided

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification. Members become vested after 10 years of creditable service. A retirement allowance may be received upon reaching age 65 or upon attaining 20 years of service. The plan also provides for early retirement at age 55 if the participant (1) has a record of 10 years of creditable service, (2) was on the Town payroll on January 1, 1978, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the fund. A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

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

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

## C. Contributions

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

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

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

The Town's contribution to the System for the year ended June 30, 2015 was \$3,808,963, which was equal to its annual required contribution.

*D. Summary of Significant Accounting Policies*

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

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

At June 30, 2015, the Town reported a liability of \$42,997,563 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2014, the Town's proportion was 3.57206% percent.

For the year ended June 30, 2015, the Town recognized pension expense of \$3,888,192. 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	\$ 145,206
Total	<u>\$ 145,206</u>

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

Year ended June 30:	
2016	\$ 36,302
2017	36,302
2018	36,302
2019	<u>36,300</u>
Total	\$ <u>145,206</u>

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of January 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2014:

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 January 1, 2014 valuation were based on the results of the most recent actuarial experience study, which was for the period December 31, 2014.

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%	6.6%
International developed markets equity	15.6%	7.1%
International emerging markings equity	6.5%	9.4%
Core fixed income	15.3%	2.2%
High-yield fixed income	8.3%	4.7%
Real Estate	9.9%	4.4%
Commodities	3.9%	4.4%
Short-term government money market	0.0%	1.8%
Hedge fund, GTAA, Risk parity	9.8%	3.9%
Private equity	11.1%	11.7%
Total	<u>100.00%</u>	56.2%

**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.

**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>
6/30/2015	\$ 51,993,166	\$ 42,997,563	\$ 35,338,840

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

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

### A. Plan Description

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

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

### B. Benefits Provided

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

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

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

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

*C. Contributions*

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

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

*D. Actuarial Assumptions*

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

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

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

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

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

*E. Discount Rate*

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

*F. Sensitivity Analysis*

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

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

G. Special Funding Situation

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

H. Town Proportions

In fiscal year 2014 (the most recent measurement period), the Commonwealth's proportionate share of the MTRS' collective net pension liability and pension expense that is associated with the Town was \$84,322,583 and \$5,858,295 respectively, based on a proportionate share of .530452%. 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.

**23. 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.

**24. Beginning Net Position Restatement**

The beginning (July 1, 2014) net position of the Town has been restated as follows:

Government-Wide Financial Statements:

	Governmental Activities	Business-Type Activities Enterprise Funds
As previously reported	\$ 193,102,410	\$ 38,143,008
GASB 68 implementation	<u>(41,519,875)</u>	<u>(1,253,252)</u>
As restated	<u>\$ 151,582,535</u>	<u>\$ 36,889,756</u>

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

**June 30, 2015  
(Unaudited)**

**Other Post-Employment Benefits**

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) - Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percent- age of Covered Payroll <u>[(b-a)/c]</u>
7/1/2014	\$ 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, 2015**  
**(Unaudited)**

<u>Middlesex Regional Retirement System:</u>	<u>2015</u>
Proportion of the net pension liability for the most recent measurement date	3.579206%
Proportionate share of the net pension liability for the most recent measurement date	\$ 42,997,563
Covered-employee payroll for the most recent measurement date	\$ 21,791,477
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	50.70%
Plan fiduciary net position as a percentage of the total pension liability	47.65%
 <u>Massachusetts Teachers' Retirement System:</u>	 <u>2015</u>
Proportion of the net pension liability for the most recent measurement date	0.530452%
The Town's proportionate share of the net pension liability for the most recent measurement date	\$ -
Commonwealth of Massachusetts' total proportionate share of the net pension liability that is associated with the Town	<u>84,322,583</u>
Total net pension liability associated with the Town	<u>\$ 84,322,583</u>
Covered-employee payroll for the most recent measurement date	\$ 32,524,633
The Town's Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0%
Plan fiduciary net position as a percentage of the total pension liability	61.64%

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

See Independent Auditors' Report.

**TOWN OF WESTFORD, MASSACHUSETTS**

**SCHEDULE OF CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2015  
(Unaudited)**

<u>Middlesex Regional Retirement System:</u>	<u>2015</u>
Contractually required contribution for the current fiscal year	\$ 3,808,963
Contributions in relation to the contractually required contribution	<u>(3,808,963)</u>
Contribution deficiency (excess)	\$ <u><u>-</u></u>
Covered-employee payroll for the current fiscal year	\$ 21,791,477
Contributions as a percentage of covered-employee payroll	17.48%

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

See Independent Auditors' Report.