

TOWN OF BILLERICA, MASSACHUSETTS

***REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS***

YEAR ENDED JUNE 30, 2015

TOWN OF BILLERICA, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

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Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Billerica, Massachusetts

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 Billerica, Massachusetts, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Billerica, Massachusetts's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 of 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 Billerica, Massachusetts, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows, thereof 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 the management's discussion and analysis and required supplementary information, as listed in the table of contents, 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 sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2016 on our consideration of the Town of Billerica, Massachusetts' internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



March 21, 2016

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Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Billerica, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2015. We encourage readers to consider the information presented in this report.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Billerica's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The government-wide financial statements provide both long-term and short-term information about the Town as a whole. The fund financial statements focus on the individual components of the Town government, reporting the Town's operations in more detail than the government-wide statements. Both presentations (government-wide and fund based) allow the user to address relevant questions, broaden the basis of comparison and enhance the Town's accountability. An additional part of the basic financial statements are the notes to the financial statements. The 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 finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all assets and deferred outflows of resources and all liabilities and deferred inflows of resources, 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 government's net position changed during the most recent 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 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, human services, culture and recreation, and interest.

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 statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the 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*.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The Town's general fund is considered a major fund for presentation purposes. The major funds are presented in separate columns in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. The remaining governmental funds are aggregated and shown as nonmajor governmental funds.

Proprietary funds. The Town maintains two types of proprietary funds.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer operations.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. The Town uses its internal service fund to account for self-insured health insurance activities.

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 statement 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 propriety funds.

Notes to the basic 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.

Financial Highlights. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town of Billerica's governmental liabilities exceeded assets and deferred outflows of resources for governmental activities by \$70.7 million and the business-type assets and deferred outflows of resources exceed liabilities by \$66.3 million at the close of the most recent year. Key components of the Town's activities are presented on the following pages.

Governmental Activities

	<u>2015</u>	<u>As Revised and Restated 2014</u>
Assets:		
Current assets.....	\$ 60,982,600	\$ 63,811,560
Capital assets.....	<u>97,114,822</u>	<u>93,372,322</u>
Total assets.....	<u>158,097,422</u>	<u>157,183,882</u>
Deferred Outflows of Resources:		
Deferred loss on refunding.....	106,248	129,130
Deferred outflows of resources related to pensions.....	<u>365,838</u>	<u>-</u>
Total deferred outflows.....	<u>472,086</u>	<u>129,130</u>
Liabilities:		
Current liabilities (excluding debt).....	5,871,753	5,488,487
Noncurrent liabilities (excluding debt).....	202,856,764	188,453,708
Current debt.....	3,309,057	3,347,731
Noncurrent debt.....	<u>17,228,341</u>	<u>20,037,399</u>
Total liabilities.....	<u>229,265,915</u>	<u>217,327,325</u>
Net Position:		
Net investment in capital assets.....	80,003,896	74,811,080
Restricted.....	3,725,224	2,930,561
Unrestricted.....	<u>(154,425,527)</u>	<u>(137,755,954)</u>
Total net position.....	<u>\$ (70,696,407)</u>	<u>(60,014,313)</u>

Governmental net position of \$80 million reflects investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its 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 the net position, \$3.7 million, represents resources that are subject to external restrictions on how they may be used. At June 30, 2015, the remaining balance of *unrestricted net position* has a deficit of \$154.4 million. The primary reason for this deficit balance is the recognition of OPEB and net pension liabilities.

	<u>2015</u>	<u>As Revised and Restated 2014</u>
Program revenues:		
Charges for services..... \$	8,404,982	9,239,165
Operating grants and contributions.....	30,694,239	41,871,671
Capital grants and contributions.....	2,754,698	2,744,229
General Revenues:		
Real estate and personal property taxes.....	102,466,413	102,734,863
Tax liens.....	1,190,186	1,473,175
Motor vehicle and other excise taxes.....	6,103,140	5,802,686
Hotel/Motel Tax.....	1,043,018	943,569
Penalties and interest on taxes.....	389,775	311,571
Payments in Lieu of taxes.....	146,572	141,206
Nonrestricted grants.....	5,232,490	5,041,689
Unrestricted investment income.....	650,519	438,612
Total revenues.....	<u>159,076,032</u>	<u>170,742,436</u>
Expenses:		
General Government.....	7,785,595	7,895,362
Public Safety.....	29,661,260	28,644,436
Education.....	102,825,510	115,462,438
Public Works.....	10,860,848	9,608,559
Human Services.....	2,205,722	2,217,577
Culture and Recreation.....	4,565,728	4,502,102
Interest.....	654,540	825,225
Total expenses.....	<u>158,559,203</u>	<u>169,155,699</u>
Excess (Deficiency) before transfers.....	516,829	1,586,737
Transfers.....	<u>(7,848,472)</u>	<u>(8,551,940)</u>
Change in net position.....	(7,331,643)	(6,965,203)
Net position - beginning (as revised/restated).....	<u>(63,364,764)</u>	<u>(56,399,561)</u>
Net position - ending..... \$	<u><u>(70,696,407)</u></u>	<u><u>(63,364,764)</u></u>

Governmental activities decreased the Town's net position by \$7.3 million during the current year and this is largely due to the Town recognizing OPEB and pension expense of \$13.9 million which was partially offset by the Town's ability to pay down long-term debt while continuing to invest in its capital infrastructure.

Annually, the Town recognizes offsetting operating grant revenues and education expense for on-behalf contributions made by the Commonwealth of Massachusetts to the Massachusetts Teachers Retirement System (MTRS) for teacher employed by the Town. This amount recognized by the Town is determined by the MTRS. In 2014, the amount recognized by the Town was \$12,662,453. As a result of the implementation of GASB Statement #68 and #71, the MTRS change the methodology used to determine the on-behalf amount recognized by the Town. As a result, the amount recognized by the Town decreased \$10,363,867 in 2015 to \$6,298,586.

The governmental activities supported the operations of the water and sewer enterprise funds in the form of a \$6 million operating contribution to cover operating losses.

The beginning net position of governmental activities has been revised and restated as a result of the implementation of GASB Statements #68 and #71 and the reclassification of a capital reserve account benefitting the business-type activities that was previously classified as governmental funds. Previously reported net position of \$45.9 million has been revised to a negative amount of \$63.4 million. See footnote number 15 for more information.

Business-type Activities

	<u>2015</u>	<u>As Revised and Restated 2014</u>
Assets:		
Current assets.....	\$ 17,783,605	\$ 22,002,176
Noncurrent assets (excluding capital).....	3,948,926	4,302,437
Capital assets not being depreciated.....	716,021	20,711,875
Capital assets, net of accumulated depreciation.....	<u>132,634,421</u>	<u>105,192,479</u>
Total assets.....	<u>155,082,973</u>	<u>152,208,967</u>
Deferred Outflows of Resources:		
Deferred loss on refunding.....	413,402	505,363
Deferred outflows of resources related to pensions....	39,032	-
Total deferred outflows.....	<u>452,434</u>	<u>505,363</u>
Liabilities:		
Current liabilities (excluding debt).....	2,981,542	2,075,968
Noncurrent liabilities (excluding debt).....	17,718,780	16,847,021
Current debt.....	5,630,537	26,157,059
Noncurrent debt.....	<u>62,925,017</u>	<u>45,779,012</u>
Total liabilities.....	<u>89,255,876</u>	<u>90,859,060</u>
Net Position:		
Net investment in capital assets.....	81,736,654	76,823,348
Unrestricted.....	<u>(15,457,123)</u>	<u>(14,968,078)</u>
Total net position.....	<u>\$ 66,279,531</u>	<u>\$ 61,855,270</u>

Water and sewer business-type activities assets exceeded liabilities by \$66.3 million at the close of 2015. The investment in capital assets, net of related debt, was \$81.7 million while unrestricted net position was in a deficit balance of \$15.5 million.

	<u>2015</u>	<u>As Revised and Restated 2014</u>
Program revenues:		
Charges for services..... \$	8,707,931	\$ 7,849,167
Operating grants and contributions.....	575,332	616,057
Capital grants and contributions.....	2,729,664	-
Total revenues.....	<u>12,012,927</u>	<u>8,465,224</u>
Expenses:		
Water.....	7,485,214	7,631,484
Sewer.....	7,951,924	7,771,550
Total expenses.....	<u>15,437,138</u>	<u>15,403,034</u>
Excess (Deficiency) before transfers.....	(3,424,211)	(6,937,810)
Transfers.....	<u>7,848,472</u>	<u>8,551,940</u>
Change in net position.....	4,424,261	1,614,130
Net position - beginning (as revised/restated).....	<u>61,855,270</u>	<u>60,241,140</u>
Net position - ending..... \$	<u><u>66,279,531</u></u>	<u><u>61,855,270</u></u>

During the current year the general fund transferred \$6 million of operating activity to the water and sewer funds.

The business-type activities show a \$3.4 million deficit before transfers and operating contributions. The operating deficit primarily relates to the fact that charges for services for the water enterprise fund and the sewer enterprise are not set to recover the respective operating and interest costs. The general fund currently subsidizes the operating deficits.

The business type activities increased \$4.4 million due to the receipt of a capital grant from the Commonwealth for sewer construction at the Middlesex County House of Correction and due to the transfer of free cash from the General Fund to the Water Enterprise Fund to fund the water capital plan,

The beginning net position of business-type activities has been revised and restated as a result of the implementation of GASB Statements #68 and #71 and the reclassification of a capital reserve account benefitting the business-type activities that was previously classified as governmental funds. Previously reported net position of \$69.8 million has been revised to \$61.9 million. See footnote number 15 for more information.

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town of Billerica's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Billerica's 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 year.

As of the end of the current year, governmental funds reported combined ending fund balances of \$40.6 million. This amount is essentially unchanged from the prior year.

General Fund

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$25.5 million, while total fund balance was \$29.2 million. 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 fund expenditures. Unassigned fund balance represents approximately 19% of total general fund expenditures, while total fund balance represents approximately 21.7% of that same amount. Included in the unassigned balance is \$14.6 million of stabilization funds.

Fund balance of the general fund was unchanged from the prior year.

General Fund Budgetary Highlights

The Town of Billerica adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Actual revenues received were greater than budgeted by \$3.3 million, primarily due to the collection of \$1 million of unbudgeted tax lien receipts and charges for services receipts totaling \$1 million more than anticipated due to increased water and sewer collections. Higher than anticipated motor vehicle excise tax collections also contributed to the surplus revenues.

Actual expenditures and carryovers were essentially in line with budgeted amounts. The budgetary fund balance decreased by \$4.5 million largely as a result of the Town voting to the fund budget with free cash and other reserves. The anticipated use of free cash was partially offset by the higher than expected revenues.

Capital Asset and Debt Administration

In conjunction with the operating budget, the Town annually prepares capital budgets for each upcoming year.

The business-type capital asset activity largely relates to \$1.4 million of water infrastructure improvements and \$30 million of sewer infrastructure improvements. The business-type activities total capital assets net of accumulated depreciation was \$133.4 million at the end of 2015.

The Town's governmental major capital activity related to \$1.9 million of Chapter 90 and other roadway upgrade costs, \$1.4 million of new vehicles and equipment, \$2.4 million of building improvements relating to the Hajjar Elementary school and \$1.4 million of costs classified as construction in progress that relates to the Town Hall façade project and a feasibility study for a new high school. The funding for these capital expenditures came from general fund appropriations and capital grants from the Commonwealth. The governmental activities total capital assets net of accumulated depreciation was \$97.1 million at the end of 2015.

Outstanding long-term debt, as of June 30, 2015, totaled \$87.7 million, of which \$67.7 million relates to various water and sewer projects, and \$20 million relates to various school and general governmental projects.

Outstanding short-term debt, as of June 30, 2015, totaled \$1.4 million, of which \$500,000 relates to roadway improvements, and \$900,000 million relates to various water and sewer projects.

Requests for Information

This financial report is designed to provide a general overview of the Town of Billerica'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 the Office of the Town Accountant, Town Hall, 365 Boston Road, Billerica, Massachusetts 01821.

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Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2015

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 38,233,357	\$ 12,133,208	\$ 50,366,565
Investments.....	9,342,230	-	9,342,230
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,711,183	-	1,711,183
Tax liens.....	4,594,002	-	4,594,002
Motor vehicle and other excise taxes.....	767,941	-	767,941
Water fees.....	-	1,515,035	1,515,035
Sewer fees.....	-	1,327,157	1,327,157
Departmental and other.....	464,342	-	464,342
Intergovernmental.....	3,757,741	2,808,205	6,565,946
Working capital deposit.....	90,700	-	90,700
Tax foreclosures.....	2,021,104	-	2,021,104
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	-	3,948,926	3,948,926
Capital assets, net of accumulated depreciation:			
Nondepreciable.....	22,448,363	716,021	23,164,384
Depreciable.....	74,666,459	132,634,421	207,300,880
TOTAL ASSETS.....	158,097,422	155,082,973	313,180,395
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions.....	365,838	39,032	404,870
Deferred loss on refunding.....	106,248	413,402	519,650
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	472,086	452,434	924,520
LIABILITIES			
CURRENT:			
Warrants payable.....	1,398,575	1,953,324	3,351,899
Accrued payroll.....	588,954	103,022	691,976
Health claims payable.....	1,083,000	-	1,083,000
Tax refunds payable.....	928,000	-	928,000
Accrued interest.....	123,991	686,196	810,187
Other liabilities.....	311,806	-	311,806
Advance collections.....	159,427	-	159,427
Compensated absences.....	1,278,000	239,000	1,517,000
Notes payable.....	500,000	900,000	1,400,000
Bonds payable.....	2,809,057	4,730,537	7,539,594
NONCURRENT:			
Compensated absences.....	1,706,000	285,000	1,991,000
Net pension liability.....	108,329,764	11,557,780	119,887,544
Other postemployment benefits.....	92,821,000	5,876,000	98,697,000
Bonds payable.....	17,228,341	62,925,017	80,153,358
TOTAL LIABILITIES.....	229,265,915	89,255,876	318,521,791
NET POSITION			
Net investment in capital assets.....	80,003,896	81,736,654	161,740,550
Restricted for:			
Permanent funds:			
Expendable.....	41,496	-	41,496
Nonexpendable.....	1,765,927	-	1,765,927
Grants and gifts.....	1,917,801	-	1,917,801
Unrestricted.....	(154,425,527)	(15,457,123)	(169,882,650)
TOTAL NET POSITION.....	\$ (70,696,407)	\$ 66,279,531	\$ (4,416,876)

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 7,785,595	\$ 1,286,806	\$ 98,017	\$ -	\$ (6,400,772)
Public safety.....	29,661,260	2,713,583	218,554	26,406	(26,702,717)
Education.....	102,825,510	3,041,007	29,751,373	319,304	(69,713,826)
Public works.....	10,860,848	291,040	63,938	2,408,988	(8,096,882)
Human services.....	2,205,722	288,745	498,931	-	(1,418,046)
Culture and recreation.....	4,565,728	783,801	63,426	-	(3,718,501)
Interest.....	654,540	-	-	-	(654,540)
Total Primary Government.....	158,559,203	8,404,982	30,694,239	2,754,698	(116,705,284)
<i>Business-Type Activities:</i>					
Water.....	7,485,214	4,909,342	575,332	-	(2,000,540)
Sewer.....	7,951,924	3,798,589	-	2,729,664	(1,423,671)
Total Business-Type Activities.....	15,437,138	8,707,931	575,332	2,729,664	(3,424,211)
Total Primary Government.....	\$ 173,996,341	\$ 17,112,913	\$ 31,269,571	\$ 5,484,362	\$ (120,129,495)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (116,705,284)	\$ (3,424,211)	\$ (120,129,495)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds.....	102,466,413	-	102,466,413
Tax liens.....	1,190,186	-	1,190,186
Motor vehicle excise taxes.....	6,103,140	-	6,103,140
Hotel/motel tax.....	1,043,018	-	1,043,018
Penalties and interest on taxes.....	389,775	-	389,775
Payments in lieu of taxes.....	146,572	-	146,572
Grants and contributions not restricted to specific programs.....	5,232,490	-	5,232,490
Unrestricted investment income.....	650,519	-	650,519
<i>Transfers, net</i>	(7,848,472)	7,848,472	-
Total general revenues and transfers.....	109,373,641	7,848,472	117,222,113
Change in net position.....	(7,331,643)	4,424,261	(2,907,382)
<i>Net Position:</i>			
Beginning of year (as revised/restated).....	(63,364,764)	61,855,270	(1,509,494)
End of year.....	\$ (70,696,407)	\$ 66,279,531	\$ (4,416,876)

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2015

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents.....	\$ 23,956,508	\$ 10,696,029	\$ 34,652,537
Investments.....	7,380,362	1,961,868	9,342,230
Receivables, net of uncollectibles:			
Real estate and personal property taxes.....	1,711,183	-	1,711,183
Tax liens.....	4,594,002	-	4,594,002
Motor vehicle and other excise taxes.....	767,941	-	767,941
Departmental and other.....	464,342	-	464,342
Intergovernmental.....	-	3,757,741	3,757,741
Tax foreclosures.....	2,021,104	-	2,021,104
TOTAL ASSETS.....	\$ 40,895,442	\$ 16,415,638	\$ 57,311,080
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Warrants payable.....	\$ 643,085	\$ 755,490	\$ 1,398,575
Accrued payroll.....	588,954	-	588,954
Tax refunds payable.....	928,000	-	928,000
Other liabilities.....	311,806	-	311,806
Advance collections.....	-	159,427	159,427
Notes payable.....	-	500,000	500,000
TOTAL LIABILITIES.....	2,471,845	1,414,917	3,886,762
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues.....	9,241,249	3,599,012	12,840,261
FUND BALANCES			
Nonspendable.....	-	1,765,927	1,765,927
Restricted.....	-	9,785,912	9,785,912
Assigned.....	3,658,773	-	3,658,773
Unassigned.....	25,523,575	(150,130)	25,373,445
TOTAL FUND BALANCES.....	29,182,348	11,401,709	40,584,057
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....	\$ 40,895,442	\$ 16,415,638	\$ 57,311,080

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION**

YEAR ENDED JUNE 30, 2015

Total governmental fund balances.....		\$ 40,584,057
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		97,114,822
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		12,840,261
Changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions.....		365,838
Internal service funds are used by management to account for employee and retiree health insurance activities.		
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.....		2,588,520
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(123,991)
Long-term liabilities are not due and payable in the current period and deferred outflows of resources are long-term, and therefore, are not reported in the governmental funds		
Bonds payable.....	(20,037,398)	
Deferred loss on refunding.....	106,248	
Compensated absences.....	(2,984,000)	
Net pension liability.....	(108,329,764)	
Other postemployment benefits.....	(92,821,000)	
Net effect of reporting long-term liabilities.....		<u>(224,065,914)</u>
Net position of governmental activities.....		<u>\$ (70,696,407)</u>

See notes to basic financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2015

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:			
Real estate and personal property taxes, net of tax refunds.....	\$ 102,475,789	\$ -	\$ 102,475,789
Tax liens.....	1,007,753	-	1,007,753
Motor vehicle excise tax.....	6,012,526	-	6,012,526
Hotel/motel tax.....	1,043,018	-	1,043,018
Charges for services.....	-	398,365	398,365
Penalties and interest on taxes.....	389,775	-	389,775
Fees and rentals.....	2,477,412	-	2,477,412
Licenses and permits.....	706,189	-	706,189
Intergovernmental.....	30,855,445	7,733,072	38,588,517
Departmental and other.....	687,629	3,184,341	3,871,970
Contributions.....	-	107,195	107,195
Investment income.....	544,018	46,036	590,054
TOTAL REVENUES.....	146,199,554	11,469,009	157,668,563
EXPENDITURES:			
Current:			
General government.....	4,140,946	1,235,958	5,376,904
Public safety.....	17,110,582	737,001	17,847,583
Education.....	64,089,908	9,561,743	73,651,651
Public works.....	7,986,440	2,042,947	10,029,387
Human services.....	1,300,294	335,670	1,635,964
Culture and recreation.....	1,781,813	1,383,260	3,165,073
Pension benefits.....	13,951,562	-	13,951,562
Employee benefits.....	13,438,899	-	13,438,899
Building Insurance.....	704,003	-	704,003
State and county charges.....	5,734,241	-	5,734,241
Capital outlay.....	850,347	-	850,347
Debt service:			
Principal.....	2,689,615	-	2,689,615
Interest.....	801,481	-	801,481
TOTAL EXPENDITURES.....	134,580,131	15,296,579	149,876,710
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	11,619,423	(3,827,570)	7,791,853
OTHER FINANCING SOURCES (USES):			
Operating activity transferred out to enterprise funds.....	(5,998,472)	-	(5,998,472)
Transfers in.....	83,594	3,798,000	3,881,594
Transfers out.....	(5,648,000)	(83,594)	(5,731,594)
TOTAL OTHER FINANCING SOURCES (USES)....	(11,562,878)	3,714,406	(7,848,472)
NET CHANGE IN FUND BALANCES.....	56,545	(113,164)	(56,619)
FUND BALANCES AT BEGINNING OF YEAR (as restated).	29,125,803	11,514,873	40,640,676
FUND BALANCES AT END OF YEAR.....	\$ 29,182,348	\$ 11,401,709	\$ 40,584,057

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2015

Net change in fund balances - total governmental funds.....		\$ (56,619)
<p>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.</p>		
Capital outlay.....	7,315,026	
Depreciation expense.....	<u>(3,572,526)</u>	
Net effect of reporting capital assets.....		3,742,500
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable 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 unavailable revenue.....</p>		
		1,347,006
<p>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. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Net Position.</p>		
Debt service principal payments.....		2,689,615
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in other postemployment benefits accrual.....	(11,833,000)	
Net change in compensated absences accrual.....	(108,000)	
Net change in accrued interest on long-term debt.....	11,705	
Net change in net pension liability.....	(2,444,057)	
Amortization of deferred outflows of resources related to pensions.....	365,838	
Amortization of premium.....	158,117	
Amortization of deferred loss on refunding.....	<u>(22,882)</u>	
Net effect of recording long-term liabilities.....		(13,872,279)
<p>Internal service funds are used by management to account for employee and retiree health insurance activities.</p>		
The net activity of internal service funds is reported with Governmental Activities.....		<u>(1,181,866)</u>
Change in net position of governmental activities.....		<u>\$ (7,331,643)</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2015

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water Enterprise	Sewer Enterprise	Total	
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 9,642,374	\$ 2,490,834	\$ 12,133,208	\$ 3,580,820
Receivables, net of allowance for uncollectibles:				
Water fees.....	1,515,035	-	1,515,035	-
Sewer fees.....	-	1,327,157	1,327,157	-
Intergovernmental.....	353,511	2,454,694	2,808,205	-
Working capital deposit.....	-	-	-	90,700
Total current assets.....	<u>11,510,920</u>	<u>6,272,685</u>	<u>17,783,605</u>	<u>3,671,520</u>
NONCURRENT:				
Receivables, net of allowance for uncollectibles:				
Intergovernmental.....	3,948,926	-	3,948,926	-
Capital assets, net of accumulated depreciation:				
Nondepreciable.....	65,957	650,064	716,021	-
Depreciable.....	<u>41,177,378</u>	<u>91,457,043</u>	<u>132,634,421</u>	<u>-</u>
Total noncurrent assets.....	<u>45,192,261</u>	<u>92,107,107</u>	<u>137,299,368</u>	<u>-</u>
TOTAL ASSETS.....	<u>56,703,181</u>	<u>98,379,792</u>	<u>155,082,973</u>	<u>3,671,520</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions.....	24,239	14,793	39,032	-
Deferred loss on refunding.....	<u>31,881</u>	<u>381,521</u>	<u>413,402</u>	<u>-</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	<u>56,120</u>	<u>396,314</u>	<u>452,434</u>	<u>-</u>
LIABILITIES				
CURRENT:				
Warrants payable.....	57,997	1,895,327	1,953,324	-
Accrued payroll.....	66,914	36,108	103,022	-
Health claims payable.....	-	-	-	1,083,000
Accrued interest.....	376,040	310,156	686,196	-
Compensated absences.....	137,000	102,000	239,000	-
Notes payable.....	-	900,000	900,000	-
Bonds payable.....	<u>2,049,921</u>	<u>2,680,616</u>	<u>4,730,537</u>	<u>-</u>
Total current liabilities.....	<u>2,687,872</u>	<u>5,924,207</u>	<u>8,612,079</u>	<u>1,083,000</u>
NONCURRENT:				
Compensated absences.....	176,000	109,000	285,000	-
Net pension liability.....	7,177,302	4,380,478	11,557,780	-
Other postemployment benefits.....	2,709,000	3,167,000	5,876,000	-
Bonds payable.....	<u>18,287,415</u>	<u>44,637,602</u>	<u>62,925,017</u>	<u>-</u>
Total noncurrent liabilities.....	<u>28,349,717</u>	<u>52,294,080</u>	<u>80,643,797</u>	<u>-</u>
TOTAL LIABILITIES.....	<u>31,037,589</u>	<u>58,218,287</u>	<u>89,255,876</u>	<u>1,083,000</u>
NET POSITION				
Net investment in capital assets.....	34,452,151	47,284,503	81,736,654	-
Unrestricted.....	<u>(8,730,439)</u>	<u>(6,726,684)</u>	<u>(15,457,123)</u>	<u>2,588,520</u>
TOTAL NET POSITION.....	<u>\$ 25,721,712</u>	<u>\$ 40,557,819</u>	<u>\$ 66,279,531</u>	<u>\$ 2,588,520</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
YEAR ENDED JUNE 30, 2015

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Funds
	Water Enterprise	Sewer Enterprise	Total	
<u>OPERATING REVENUES:</u>				
Employee contributions	\$ -	\$ -	\$ -	\$ 4,151,845
Employer contributions	-	-	-	11,526,223
Charges for services	4,724,269	3,713,704	8,437,973	-
Other.....	185,073	84,885	269,958	-
TOTAL OPERATING REVENUES	4,909,342	3,798,589	8,707,931	15,678,068
<u>OPERATING EXPENSES:</u>				
Cost of services and administration.....	5,149,459	4,345,020	9,494,479	-
Depreciation.....	1,326,377	2,658,345	3,984,722	-
Employee benefits	-	-	-	16,920,398
TOTAL OPERATING EXPENSES	6,475,836	7,003,365	13,479,201	16,920,398
OPERATING INCOME (LOSS).....	(1,566,494)	(3,204,776)	(4,771,270)	(1,242,330)
<u>NONOPERATING REVENUES (EXPENSES):</u>				
Investment income.....	-	-	-	60,464
Interest expense.....	(1,009,378)	(948,559)	(1,957,937)	-
Intergovernmental.....	-	2,729,664	2,729,664	-
Intergovernmental interest subsidy.....	575,332	-	575,332	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(434,046)	1,781,105	1,347,059	60,464
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS.....	(2,000,540)	(1,423,671)	(3,424,211)	(1,181,866)
OPERATING CONTRIBUTIONS.....	2,245,761	3,752,711	5,998,472	-
<u>TRANSFERS:</u>				
Transfers in.....	1,850,000	-	1,850,000	-
CHANGE IN NET POSITION.....	2,095,221	2,329,040	4,424,261	(1,181,866)
NET POSITION AT BEGINNING OF YEAR (as revised/restated)	23,626,491	38,228,779	61,855,270	3,770,386
NET POSITION AT END OF YEAR.....	\$ 25,721,712	\$ 40,557,819	\$ 66,279,531	\$ 2,588,520

See notes to basic financial statements.

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water Enterprise	Sewer Enterprise	Total	
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Receipts from customers and users.....	\$ 4,737,506	\$ 3,592,684	\$ 8,330,190	\$ -
Receipts from interfund services provided.....	-	-	-	15,678,068
Payments to vendors.....	(3,557,730)	(3,311,472)	(6,869,202)	-
Payments to employees.....	(1,138,059)	(639,166)	(1,777,225)	-
Payments for interfund services used.....	-	-	-	(16,928,398)
NET CASH FROM OPERATING ACTIVITIES.....	41,717	(357,954)	(316,237)	(1,250,330)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
Transfers in.....	1,850,000	-	1,850,000	-
Operating contributions.....	2,245,761	3,752,711	5,998,472	-
Due to/from other funds.....	1,051,979	(1,051,979)	-	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	5,147,740	2,700,732	7,848,472	-
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
Proceeds from the issuance of bonds and notes.....	-	28,891,857	28,891,857	-
Acquisition and construction of capital assets.....	(1,022,814)	(9,619,912)	(10,642,726)	-
Principal payments on bonds and notes.....	(1,650,606)	(24,051,152)	(25,701,758)	-
Interest expense.....	(473,915)	(831,045)	(1,304,960)	-
Other capital construction funds.....	-	2,729,664	2,729,664	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(3,147,335)	(2,880,588)	(6,027,923)	-
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Investment income.....	-	-	-	60,464
NET CASH FROM INVESTING ACTIVITIES.....	-	-	-	60,464
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	2,042,122	(537,810)	1,504,312	(1,189,866)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	7,600,252	3,028,644	10,628,896	4,770,686
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 9,642,374	\$ 2,490,834	\$ 12,133,208	\$ 3,580,820
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>				
Operating income (loss).....	\$ (1,566,494)	\$ (3,204,776)	\$ (4,771,270)	\$ (1,242,330)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Deferred (outflows)/inflows related to pensions.....	(24,239)	(14,793)	(39,032)	-
Depreciation.....	1,326,377	2,658,345	3,984,722	-
Changes in assets and liabilities:				
Water fees.....	(171,836)	-	(171,836)	-
Sewer fees.....	-	(205,905)	(205,905)	-
Warrants payable.....	9,406	(33,144)	(23,738)	-
Accrued payroll.....	3,573	(1,510)	2,063	-
Health claims payable.....	-	-	-	(8,000)
Accrued compensated absences.....	1,000	19,000	20,000	-
Other postemployment benefits.....	302,000	326,000	628,000	-
Net pension liability.....	161,930	98,829	260,759	-
Total adjustments.....	1,608,211	2,846,822	4,455,033	(8,000)
NET CASH FROM OPERATING ACTIVITIES.....	\$ 41,717	\$ (357,954)	\$ (316,237)	\$ (1,250,330)
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u>				
MCWT debt service subsidy.....	\$ 575,332	\$ -	\$ -	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2015

	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 38,097	\$ 1,508,762	\$ 1,664,740
Investments.....	990,092	-	-
TOTAL ASSETS.....	1,028,189	1,508,762	1,664,740
LIABILITIES			
Liabilities due depositors.....	-	-	1,664,740
NET POSITION			
Held in trust for postemployment benefits and other purposes.....	\$ 1,028,189	\$ 1,508,762	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2015

	<u>Other Postemployment Benefits Trust Fund</u>	<u>Private Purpose Trust Funds</u>
<u>ADDITIONS:</u>		
Contributions:		
Private donations.....	\$ -	\$ 48,384
Net investment income:		
Interest.....	20,468	154,392
TOTAL ADDITIONS.....	<u>20,468</u>	<u>202,776</u>
<u>DEDUCTIONS:</u>		
Educational scholarships.....	-	137,332
TOTAL DEDUCTIONS.....	<u>-</u>	<u>137,332</u>
CHANGE IN NET POSITION.....	20,468	65,444
NET POSITION AT BEGINNING OF YEAR.....	<u>1,007,721</u>	<u>1,443,318</u>
NET POSITION AT END OF YEAR.....	<u>\$ 1,028,189</u>	<u>\$ 1,508,762</u>

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Billerica, Massachusetts (the Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant Town accounting policies are described herein.

A. Reporting Entity

The Town of Billerica is a municipal corporation governed by an elected Board of Selectmen.

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. The Town has determined that there are no component units.

Joint Ventures

The Town is a member of the Shawsheen Regional Technical High School District that provides for the education of only the Town's high school students. The members share in the operations of the District and each member is responsible for its proportionate share of the operational and capital cost of the District, which are paid in the form of assessments. The Town does not have an equity interest in the District and the 2015 assessment was \$8,289,897.

B. Government-Wide and Fund Financial Statements*Government-Wide Financial Statements*

The government-wide financial statements (i.e., statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units.

Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds 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. Non-major funds are aggregated and displayed in a single column.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least

10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*

- If the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Internal service and fiduciary funds are reported by fund type.

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. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal 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.

The statement of activities demonstrates the degree to which the direct expenses of a particular 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 the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for un-matured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60 days after year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the *non-major governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

The *permanent fund* is used to account for and report financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Proprietary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

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 the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The following major proprietary funds are reported:

The *water enterprise fund* is used to account for financial activity that occurs as a result of the ongoing operations within the water department.

The *sewer enterprise fund* is used to account for the financial activity that occurs as a result of the ongoing operations within the sewer department.

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to the self-insured employee health program.

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *other postemployment benefits trust fund* accumulates resources to provide funding for future OPEB (other postemployment benefits) liabilities.

The *private-purpose trust fund* is used to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion and any unrealized appreciation to be spent. The donor restrictions and trustee policies only allows the trustees to authorize spending of the realized investment earnings. The Town's educational scholarship trusts are accounted for in this fund.

The *agency fund* is primarily used to account for public works and planning board performance bonds, police detail activity and student activity funds but also accounts for any asset that is held in a purely custodial capacity. Agency funds apply the accrual basis of accounting but do not have a measurement focus.

D. Cash and Investments

Government-Wide and Fund Financial Statements

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

Investments are carried at fair value. The fair values were determined by the closing price for those securities traded on national stock exchanges and at the average bid-and-asked quotation for those securities traded in the over-the-counter market.

E. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the proprietary funds and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on July 1st and January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date. Tax liens are processed within 30 days of the close of the following year end for all taxes that are considered delinquent at that time. Real estate and personal property taxes levied are recorded as receivables in the year of the levy.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible accounts is not reported.

Personal property taxes cannot be secured through the lien process. The allowance of uncollectible accounts is estimated based on historical trends and specific account analysis.

Motor Vehicle Excise

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

The allowance for uncollectible accounts is estimated based on historical trends and specific account analysis.

Sewer

User fees are levied three time a year in December, March, and August based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Sewer liens are processed every year and included as a lien on the property owner's tax bill. Sewer charges and liens are recorded as receivables in the year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectible accounts.

Water

User fees are levied three time a year in December, March, and August based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water liens are processed every year and included as a lien on the property owner's tax bill. Water charges and liens are recorded as receivables in the year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectible accounts.

Intergovernmental

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectible accounts.

F. Inventories***Government-Wide and Fund Financial Statements***

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

G. Capital Assets

Government-Wide Financial Statements

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land and construction in process) are depreciated on a straight-line basis over the estimated useful life of the asset. The estimated useful lives of capital assets being depreciated are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land improvements.....	20-30
Buildings.....	20-40
Vehicles.....	5-15
Machinery and equipment.....	5-10
Infrastructure.....	40-50

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the year of the purchase.

H. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The Town has recorded deferred losses on refunding and deferred outflows of resources related to pensions in this category in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town does not have deferred inflows of resources at year-end.

Governmental Fund Financial Statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents assets that have been recorded in the governmental fund financial statements but the revenue is not available and so will *not* be recognized as an inflow of resources (revenue) until it becomes available. The Town has recorded unavailable revenue as deferred inflows of resources in the governmental funds balance sheet.

Unavailable revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting, i.e. receivables that are not considered to be available to liquidate liabilities (full accrual) financial statements.

I. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental and internal service funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances".

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are *not* eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

J. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out.

Government-Wide Financial Statements

Transfers between and within governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and fiduciary funds are reported in the statement of activities as "Transfers, net."

Fund Financial Statements

Transfers between and within funds are *not* eliminated from the individual fund statements and are reported as transfers in and transfers out.

K. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

Net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not factored into the calculation of the net investment of capital assets.

Net position is reported as restricted when amounts are not otherwise available for appropriation or are legally restricted by outside parties for a specific future use.

Net position has been “restricted for” the following:

“Permanent funds – nonexpendable” represents the endowment portion of donor restricted trusts. Only investment earnings may be expended from this category.

“Permanent funds – expendable” represents the amount of realized and unrealized investment earnings of donor restricted trusts. The donor restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings.

“Grants and gifts” – represents amounts held for school and other Town grants, and for gift funds.

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Financial Statements (Fund Balances)

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

“Nonspendable” fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

“Restricted” fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. For the Town, Town Meeting is the highest level of decision making authority that can, by adoption of a Town Meeting warrant article, vote to commit fund balance. Once committed, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a Town Meeting vote is taken to remove or revise the commitment.

“Assigned” fund balance includes amounts that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

L. Long-term debt

Government-Wide Financial Statements

Long-term debt is reported as liabilities in the government-wide statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

M. Pensions

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 both the Middlesex County Contributory Retirement System (MCCRS) and the Massachusetts Teachers Retirement System (MTRS) additions to/deductions from the Systems’ fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. Investment Income

Excluding the permanent funds, investment income derived from major and non-major governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

Investment income from proprietary fund operations is voluntarily assigned and transferred to the general fund.

O. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

Compensated absences are reported in the governmental funds only if they have matured, i.e. unused reimbursable leave still outstanding following a retirement or resignation. Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon maturity of the liability.

P. Individual Fund Deficits

The Town Capital Projects Fund has a fund deficit of \$150,130 at June 30, 2015. The deficit will be funded through future bond proceeds and available funds.

Q. Use of Estimates

Government-Wide and Fund Financial Statements

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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 year. Actual results could vary from estimates that were used.

R. Total Column

Government-Wide Financial Statements

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

NOTE 2 – CASH AND INVESTMENTS

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and cash equivalents". The deposits of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits, and the State Treasurer's Investment Pool (the Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Custodial Credit Risk- Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. At year-end, the carrying amount of deposits totaled \$48,198,024 and the bank balance totaled \$49,802,024. Of the bank balance, \$9,804,663 was covered by Federal Depository Insurance, \$1,234,433 was covered by the Share Insurance Fund insurance, \$36,476,340 was collateralized, and \$2,286,588 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Share Insurance Fund (SIF) is a private fund owned by the member co-operative banks, which insures all deposits at co-operative banks in Massachusetts above Federal Deposit Insurance Corporation (FDIC) limits.

The Town's investment policy addresses custodial credit risk of deposits by establishing the following policy: The Town will not have on deposit with a single financial institution more than 60% of the institutions total equity presented on the specific institution's annual audited financial statements. Additionally, no single bank or bank holding company shall hold in excess of 75% of the Treasurer's cash balance for greater than three consecutive days.

Investments

As of June 30, 2015, the Town had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u> <u>1-5 Years</u>	<u>6-10 Years</u>	<u>Over 10 Years</u>	<u>Rating</u>
<u>Debt Securities</u>					
U.S. Government Agencies.....	\$ 1,700,931	\$ 1,200,931	\$ -	\$ 500,000	AA+
Corporate Bonds.....	6,167,784	4,588,242	1,172,337	407,205	AA+ thru BBB-
Total Debt Securities.....	7,868,715	<u>5,789,173</u>	<u>1,172,337</u>	<u>907,205</u>	
<u>Other Investments</u>					
Equity Securities.....	2,463,608				
Money Market Mutual Funds.....	5,325,080				
MMDT.....	55,060				
Total Investments.....	<u>\$ 15,712,463</u>				

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The investments of \$1,700,931 in United States Government Enterprises, \$6,167,784 in Corporate Bonds, and \$2,463,608 in Equity Securities are subject to custodial credit risk exposure because the related securities are uninsured, unregistered and held by the counterparty. Excluding investments in United States Government Agency bonds, United States Treasury Notes, and MMDT, no more than 75% of the Town's total investment portfolio will be held by any single financial institution.

Interest Rate Risk

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 changing interest rates.

The Town participates in MMDT, which maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately 3 months.

Credit Risk

The Town has not adopted a formal policy related to Credit Risk.

Concentration of Credit Risk

The Town places no limit on the amount the government may invest in any one issuer. At June 30, 2015, the Town's did not maintain investments requiring concentration of credit risk disclosure.

NOTE 3 – RECEIVABLES

At June 30, 2015, receivables for the individual major, the non-major governmental funds, and the proprietary internal service fund, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 2,442,327	\$ (731,144)	\$ 1,711,183
Tax liens.....	4,594,002	-	4,594,002
Motor vehicle and other excise taxes.....	1,562,044	(794,103)	767,941
Departmental and other.....	1,889,342	(1,425,000)	464,342
Intergovernmental.....	3,757,741	-	3,757,741
Total.....	<u>\$ 14,245,456</u>	<u>\$ (2,950,247)</u>	<u>\$ 11,295,209</u>

At June 30, 2015, receivables for the water and sewer enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water fees.....	\$ 1,515,035	\$ -	\$ 1,515,035
Sewer fees.....	1,327,157	-	1,327,157
Intergovernmental.....	6,757,131	-	6,757,131
Total.....	<u>\$ 9,599,323</u>	<u>\$ -</u>	<u>\$ 9,599,323</u>

Governmental funds report *unavailable revenue* in connection with receivables for revenues and advance collections that are not considered to be available to liquidate liabilities of the current period. At the end of the current, the various components of *unavailable revenue* reported in the governmental funds were as follows:

	General Fund	Other Governmental Funds	Total
<u>Receivables and other asset types:</u>			
Real estate and personal property taxes.....	\$ 1,393,860	\$ -	\$ 1,393,860
Tax liens.....	4,594,002	-	4,594,002
Motor vehicle and other excise taxes.....	767,941	-	767,941
Departmental and other.....	464,342	-	464,342
Intergovernmental.....	-	3,599,012	3,599,012
Tax foreclosures.....	2,021,104	-	2,021,104
Total.....	<u>\$ 9,241,249</u>	<u>\$ 3,599,012</u>	<u>\$ 12,840,261</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 21,009,852	\$ -	-	\$ 21,009,852
Construction in progress.....	-	1,438,511	-	1,438,511
Total capital assets not being depreciated.....	<u>21,009,852</u>	<u>1,438,511</u>	<u>-</u>	<u>22,448,363</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	5,428,849	-	-	5,428,849
Buildings.....	87,277,252	2,372,800	-	89,650,052
Vehicles.....	10,479,241	840,841	-	11,320,082
Machinery and equipment.....	8,336,459	563,621	-	8,900,080
Infrastructure.....	42,759,994	2,099,253	-	44,859,247
Total capital assets being depreciated.....	<u>154,281,795</u>	<u>5,876,515</u>	<u>-</u>	<u>160,158,310</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(2,720,200)	(164,574)	-	(2,884,774)
Buildings.....	(37,334,905)	(1,865,511)	-	(39,200,416)
Vehicles.....	(8,275,926)	(637,836)	-	(8,913,762)
Machinery and equipment.....	(6,384,426)	(391,580)	-	(6,776,006)
Infrastructure.....	(27,203,868)	(513,025)	-	(27,716,893)
Total accumulated depreciation.....	<u>(81,919,325)</u>	<u>(3,572,526)</u>	<u>-</u>	<u>(85,491,851)</u>
Total capital assets being depreciated, net.....	<u>72,362,470</u>	<u>2,303,989</u>	<u>-</u>	<u>74,666,459</u>
Total governmental activities capital assets, net.....	<u>\$ 93,372,322</u>	<u>\$ 3,742,500</u>	<u>\$ -</u>	<u>\$ 97,114,822</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Water Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 65,957	\$ -	\$ -	\$ 65,957
Construction in progress.....	431,279	-	(431,279)	-
Total capital assets not being depreciated.....	497,236	-	(431,279)	65,957
<u>Capital assets being depreciated:</u>				
Vehicles.....	526,308	-	-	526,308
Machinery and equipment.....	657,062	56,743	-	713,805
Infrastructure.....	58,921,577	1,303,730	-	60,225,307
Total capital assets being depreciated.....	60,104,947	1,360,473	-	61,465,420
<u>Less accumulated depreciation for:</u>				
Vehicles.....	(447,184)	(17,978)	-	(465,162)
Machinery and equipment.....	(199,691)	(56,460)	-	(256,151)
Infrastructure.....	(18,314,790)	(1,251,939)	-	(19,566,729)
Total accumulated depreciation.....	(18,961,665)	(1,326,377)	-	(20,288,042)
Total capital assets being depreciated, net.....	41,143,282	34,096	-	41,177,378
Total water capital assets, net.....	\$ 41,640,518	\$ 34,096	\$ (431,279)	\$ 41,243,335
Sewer Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 650,064	\$ -	\$ -	\$ 650,064
Construction in progress.....	19,564,575	-	(19,564,575)	-
Total capital assets not being depreciated.....	20,214,639	-	(19,564,575)	650,064
<u>Capital assets being depreciated:</u>				
Buildings.....	2,924,117	-	-	2,924,117
Machinery and equipment.....	391,131	79,041	-	470,172
Vehicles.....	993,797	-	-	993,797
Infrastructure.....	98,258,906	29,987,150	-	128,246,056
Total capital assets being depreciated.....	102,567,951	30,066,191	-	132,634,142
<u>Less accumulated depreciation for:</u>				
Buildings.....	(1,791,022)	(73,103)	-	(1,864,125)
Machinery and equipment.....	(327,268)	(13,491)	-	(340,759)
Vehicles.....	(799,796)	(55,743)	-	(855,539)
Infrastructure.....	(35,600,668)	(2,516,008)	-	(38,116,676)
Total accumulated depreciation.....	(38,518,754)	(2,658,345)	-	(41,177,099)
Total capital assets being depreciated, net.....	64,049,197	27,407,846	-	91,457,043
Total sewer capital assets, net.....	\$ 84,263,836	\$ 27,407,846	\$ (19,564,575)	\$ 92,107,107

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government.....	\$ 160,430
Public safety.....	625,288
Education.....	1,542,247
Public works.....	812,905
Human services.....	32,334
Culture and recreation.....	<u>399,322</u>
Total depreciation expense - governmental activities.....	<u>\$ 3,572,526</u>
Business-Type Activities:	
Water.....	\$ 1,326,377
Sewer.....	<u>2,658,345</u>
Total depreciation expense - business-type activities.....	<u>\$ 3,984,722</u>

NOTE 5 – INTERFUND TRANSFERS, RECEIVABLES AND PAYABLES

Interfund transfers for the year ended June 30, 2015, are summarized as follows:

Transfers Out:	Transfers In:			Total
	General Fund	Nonmajor Governmental Funds	Water Enterprise Fund	
General Fund.....	\$ -	\$ 3,798,000	\$ 1,850,000	\$ 5,648,000 (1)
Nonmajor Governmental Funds.....	<u>83,594</u>	<u>-</u>	<u>-</u>	<u>83,594 (2)</u>
Total.....	<u>\$ 83,594</u>	<u>\$ 3,798,000</u>	<u>\$ 1,850,000</u>	<u>\$ 5,731,594</u>

(1) Budgeted transfers from the general fund to School and Town capital project funds, as well as the water fund for various construction projects.

(2) Budgeted transfer from the Rink Revolving Fund to the general fund.

In addition to the budgeted transfers detailed above, the Town transferred approximately \$6 million from the general fund to the water and sewer funds. This amount represents operating and debt services activities originally recorded and paid for in the general fund.

NOTE 6 – SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the General Fund.

Details related to the short-term debt activity for the year ended June 30, 2015, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2014	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2015
BAN	Bond Anticipation Notes.....	0.55%	5/15/2015	\$ 500,000	\$ -	\$ 500,000	\$ -
BAN	Bond Anticipation Notes.....	0.45%	4/29/2016	-	500,000	-	500,000
	Total Governmental Funds.....			<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
BAN	Bond Anticipation Notes.....	0.55%	5/15/2015	500,000	-	500,000	-
BAN	Bond Anticipation Notes.....	0.45%	4/29/2016	-	500,000	-	500,000
BAN	Bond Anticipation Notes.....	0.60%	4/29/2016	-	400,000	-	400,000
BAN*	Temporary MCWT Financing.....	2.00%	6/30/2015	1,515,186	-	1,515,186	-
BAN*	Temporary MCWT Financing.....	2.00%	6/30/2015	9,000,000	-	9,000,000	-
BAN*	Temporary MCWT Financing.....	2.00%	6/30/2015	10,425,221	-	10,425,221	-
	Total Sewer Fund.....			<u>21,440,407</u>	<u>900,000</u>	<u>21,440,407</u>	<u>900,000</u>
	Total.....			<u>\$ 21,940,407</u>	<u>\$ 1,400,000</u>	<u>\$ 21,940,407</u>	<u>\$ 1,400,000</u>

* = The Massachusetts Clean Water Trust (MCWT) Temporary Financing relates to a program in which the Town is able to rehabilitate, expand, or upgrade the existing sewer infrastructure network. The Town has been approved for construction costs up to \$20,940,407 at a market interest rate of 2%. The Town entered into financing agreements in April of 2012 and January of 2013 and at that time the Town was allowed 2 years to expend funds against the loan. After the two years, the Town will determine the final construction costs and a permanent debt schedule will be agreed upon and payable over 20 years. In fiscal 2015, the Town and MCWT converted the temporary financing into a long-term bond.

NOTE 7 – LONG-TERM DEBT

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

In prior fiscal years certain general obligation bonds were defeased by placing the proceeds of the bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2015, \$11,545,000 of bonds outstanding from prior year refunding transactions is considered defeased.

Details related to the outstanding indebtedness at June 30, 2015, and the debt service requirements are as follows:

Bond Payable Schedule – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2014	Issued	Reductions	Outstanding at June 30, 2015
Municipal Purpose Bonds of 1998 - Refunding.....	2028	\$ 3,500,000	2.38 - 4.50%	\$ 656,923	\$ -	\$ 169,615	\$ 487,308
Municipal Purpose Bonds of 2005 - Refunding.....	2025	4,400,000	3.85%	220,000	-	220,000	-
Municipal Purpose Bonds of 2008.....	2028	5,036,000	2.38 - 4.00%	1,795,000	-	305,000	1,490,000
Municipal Purpose Bonds of 2010.....	2018	1,500,000	3.97%	500,000	-	125,000	375,000
Municipal Purpose Bonds of 2011.....	2031	2,932,000	2.00 - 4.75%	2,310,000	-	170,000	2,140,000
Municipal Purpose Bonds of 2013.....	2033	15,535,000	2.00 - 4.00%	13,895,000	-	1,640,000	12,255,000
Municipal Purpose Bonds of 2013 - Refunding.....	2025	2,524,000	1.00 - 4.00%	2,465,000	-	60,000	2,405,000
Total Governmental Bonds Payable.....				21,841,923	-	2,689,615	19,152,308
Unamortized Premiums on Bonds.....				1,043,207	-	158,117	885,090
Total Governmental.....				\$ 22,885,130	\$ -	\$ 2,847,732	\$ 20,037,398

Debt service requirements for principal and interest for Governmental bonds payable in future years are as follows:

Year	Principal	Interest	Total
2016.....	\$ 2,666,923	\$ 667,795	\$ 3,334,718
2017.....	2,581,539	586,994	3,168,533
2018.....	2,333,846	491,807	2,825,653
2019.....	1,895,000	408,443	2,303,443
2020.....	965,000	334,343	1,299,343
2021.....	955,000	297,543	1,252,543
2022.....	895,000	256,437	1,151,437
2023.....	895,000	221,431	1,116,431
2024.....	830,000	184,124	1,014,124
2025.....	825,000	164,594	989,594
2026.....	610,000	145,932	755,932
2027.....	660,000	121,525	781,525
2028.....	660,000	99,925	759,925
2029.....	520,000	78,325	598,325
2030.....	520,000	61,487	581,487
2031.....	520,000	44,650	564,650
2032.....	410,000	26,650	436,650
2033.....	410,000	13,325	423,325
Total.....	\$ 19,152,308	\$ 4,205,328	\$ 23,357,636

Bond Payable Schedule – Water Enterprise Fund

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2014	Issued	Reductions	Outstanding at June 30, 2015
Water Treatment Facility.....	2033	\$ 4,832,000	2.00 - 5.00%	\$ 1,485,000	\$ -	\$ 115,000	\$ 1,370,000
MCWT.....	2025	33,452,851	3.00 - 5.35%	17,138,729	-	1,429,433	15,709,296
Water Mains.....	2030	2,740,000	2.38 - 4.75%	1,800,000	-	125,000	1,675,000
Water Departmental Equipment.....	2020	1,742,000	2.38 - 4.75%	810,000	-	190,000	620,000
Water Treatment Facility Refunding.....	2025	873,000	1.00 - 4.00%	820,000	-	100,000	720,000
Water Mains Refunding.....	2022	105,000	1.00 - 4.00%	90,000	-	15,000	75,000
Surface Drain Refunding.....	2022	128,000	1.00 - 4.00%	115,000	-	15,000	100,000
Total Water Bonds Payable.....				22,258,729	-	1,989,433	20,269,296
Unamortized Premiums on Bonds.....				87,468	-	19,428	68,040
Total Water.....				\$ 22,346,197	\$ -	\$ 2,008,861	\$ 20,337,336

Debt service requirements for principal and interest for the Water Enterprise Fund bonds payable in future years are as follows:

Year	Principal	Interest	Total
2016.....	\$ 2,037,933	\$ 923,515	\$ 2,961,448
2017.....	2,082,532	833,477	2,916,009
2018.....	2,056,731	733,045	2,789,776
2019.....	2,070,931	632,325	2,703,256
2020.....	2,130,130	531,027	2,661,157
2021.....	2,114,729	428,465	2,543,194
2022.....	2,178,928	324,415	2,503,343
2023.....	2,143,128	218,990	2,362,118
2024.....	2,187,327	114,800	2,302,127
2025.....	541,927	50,472	592,399
2026.....	225,000	32,832	257,832
2027.....	225,000	22,582	247,582
2028.....	225,000	12,082	237,082
2029.....	25,000	1,566	26,566
2030.....	25,000	525	25,525
Total.....	\$ 20,269,296	\$ 4,860,119	\$ 25,129,415

Bond Payable Schedule – Sewer Enterprise Fund

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2014	Issued	Reductions	Outstanding at June 30, 2015
Sewer.....	2033	\$ 15,897,510	3.00 - 5.37%	\$ 6,755,000	\$ -	\$ 720,000	\$ 6,035,000
Sewer Refunding.....	2018	5,513,077	2.00 - 4.01%	1,403,077	-	480,385	922,692
MCWT.....	2031	31,404,007	2.00%	8,123,111	21,876,550	405,360	29,594,301
Sewer Treatment Facility.....	2030	6,530,000	2.50 - 4.20%	5,160,000	-	335,000	4,825,000
Sewer 2013 Refunding.....	2025	13,000,000	3.00 - 5.00%	6,185,000	-	670,000	5,515,000
Total Sewer Bonds Payable.....				27,626,188	21,876,550	2,610,745	46,891,993
Unamortized Premiums on Bonds.....				523,279	-	97,054	426,225
Total Sewer.....				\$ 28,149,467	\$ 21,876,550	\$ 2,707,799	\$ 47,318,218

Debt service requirements for principal and interest for the Sewer Enterprise Fund bonds payable in future years are as follows:

Year	Principal	Interest	Total
2016.....	\$ 3,685,438	\$ 1,018,951	\$ 4,704,389
2017.....	3,529,160	926,419	4,455,579
2018.....	3,335,360	842,984	4,178,344
2019.....	3,182,883	763,046	3,945,929
2020.....	3,176,736	682,069	3,858,805
2021.....	2,715,768	607,357	3,323,125
2022.....	2,719,981	540,117	3,260,098
2023.....	2,714,381	473,605	3,187,986
2024.....	2,383,969	414,263	2,798,232
2025.....	2,378,751	364,523	2,743,274
2026.....	2,138,730	316,985	2,455,715
2027.....	2,148,910	270,575	2,419,485
2028.....	2,159,295	224,237	2,383,532
2029.....	2,169,900	177,484	2,347,384
2030.....	2,080,699	132,106	2,212,805
2031.....	1,866,724	93,209	1,959,933
2032.....	1,158,827	64,159	1,222,986
2033.....	1,158,827	47,063	1,205,890
2034.....	1,093,827	29,968	1,123,795
2035.....	1,093,827	14,984	1,108,811
Total.....	\$ 46,891,993	\$ 8,004,096	\$ 54,896,089

The Town receives subsidy assistance from the Massachusetts Clean Water Trust (MCWT). Future subsidies of capital expenses are structured as principal subsidies of principal payments. Interest on the outstanding bonds for MCWT is subsidized over the life of the bonds to assist the Town in repayment of this future debt. Future principal subsidies of \$4,302,437 have been recorded as an intergovernmental receivable in the water enterprise fund. Future interest subsidies total \$2,776,598 and will be recognized as revenue when incurred. During 2015, the Town's principal and interest subsidy amounted to approximately \$914,000.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2015, the Town had authorized and un-issued debt as follows:

Purpose	Date Authorized	Amount
Water treatment plant.....	06/06/02	\$ 426,999
Planning and land acquisition.....	05/25/06	1,000,000
Sewer.....	05/25/06	500,000
Crosby hill water tank.....	10/21/08	85,300
School construction.....	10/06/09	3,612,472
Wastewater Treatment.....	10/14/08	402,784
Pump station upgrade.....	10/05/10	1,829,814
Sewer.....	10/04/11	251,000
Wastewater pump station upgrade.....	05/10/12	1,099,465
Planning, design, easement.....	05/21/13	680,000
Wastewater treatment facility.....	10/10/13	398,500
Allen Road water/sewer improvements.....	05/20/14	1,300,000
Wastewater.....	05/06/14	14,000,000
Total.....		\$ 25,586,334

Changes in Long-term Liabilities

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

Governmental Activities	Balance June 30, 2014	Bonds and Notes Redeemed	Other Increase	Other Decrease	Balance June 30, 2015	Current Portion
Long-Term Bonds.....	\$ 21,841,923	\$ (2,689,615)	\$ -	\$ -	\$ 19,152,308	\$ 2,666,923
Unamortized Premium on Bonds.....	1,043,207	-	-	(158,117)	885,090	142,134
Other Postemployment Benefits.....	80,988,000	-	32,738,000	(20,905,000)	92,821,000	-
Net Pension Liability.....	105,885,707	-	2,444,057	-	108,329,764	-
Compensated Absences.....	2,876,000	-	1,404,000	(1,296,000)	2,984,000	1,278,000
Total.....	\$ 212,634,837	\$ (2,689,615)	\$ 36,586,057	\$ (22,359,117)	\$ 224,172,162	\$ 4,087,057

Business-Type Activities	Balance June 30, 2014	Bonds and Notes Redeemed	Other Increase	Other Decrease	Balance June 30, 2015	Current Portion
Long-Term Bonds.....	\$ 49,884,917	\$ (4,600,178)	\$ -	\$ -	\$ 67,161,289	\$ 5,723,372
Unamortized Premium on Bonds.....	610,747	-	-	(116,482)	494,265	100,992
Other Postemployment Benefits.....	5,248,000	-	661,000	(33,000)	5,876,000	-
Net Pension Liability.....	11,297,021	-	260,759	-	11,557,780	-
Compensated Absences.....	504,000	-	260,000	(240,000)	524,000	239,000
Total.....	\$ 67,544,685	\$ (4,600,178)	\$ 1,181,759	\$ (389,482)	\$ 85,613,334	\$ 6,063,364

NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The intention of the GASB 54 is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Town's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

At June 30, 2015, \$14,637,255 has been set aside in a stabilization fund that is classified as part of the general fund in the governmental funds financial statements. Massachusetts General Law Ch.40 §5B allows for the establishment of Stabilization funds for one or more different purposes on an as needed basis. The creation of a fund requires a two-thirds vote of Town Meeting and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of Town Meeting. During 2015, \$3.8 million was transferred into the stabilization fund from the general fund and the fund recognized interest and investment earnings of \$293,000. The stabilization fund balance can be used for general and/or capital purposes upon approval of Town Meeting.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Town has reported principal portions of endowment funds as nonspendable.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints. These categories of fund balance are further discussed in Note 1.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority. The Town's highest level of decision making authority is the Town Meeting.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose

At June 30, 2015, the governmental fund balances consisted of the following:

	GOVERNMENTAL FUNDS		
	General	Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES			
Nonspendable:			
Permanent fund principal..... \$	- \$	1,765,927 \$	1,765,927
Restricted for:			
Town revolving funds.....	-	524,166	524,166
Town state and federal grant funds.....	-	430,295	430,295
Town receipts reserved.....	-	485,467	485,467
School lunch.....	-	23,433	23,433
School revolving funds.....	-	2,302,248	2,302,248
School grant funds.....	-	1,132,282	1,132,282
Recreation revolving.....	-	10,573	10,573
Other special revenue.....	-	1,600,621	1,600,621
Recreation capital projects.....	-	10,200	10,200
Public safety capital projects.....	-	512,307	512,307
School capital projects.....	-	2,275,582	2,275,582
Stormwater drainage capital projects.....	-	100,841	100,841
Highway capital projects.....	-	35,531	35,531
Cemetery capital projects.....	-	300,870	300,870
Cemetery perpetual care.....	-	41,496	41,496
Assigned to:			
General government.....	532,735	-	532,735
Public safety.....	45,580	-	45,580
Education.....	1,431,817	-	1,431,817
Public works.....	843,195	-	843,195
Human services.....	19,600	-	19,600
Culture and recreation.....	37,190	-	37,190
Capital outlay.....	748,656	-	748,656
Unassigned.....	<u>25,523,575</u>	<u>(150,130)</u>	<u>25,373,445</u>
TOTAL FUND BALANCES (DEFICIT)..... \$	<u>29,182,348</u> \$	<u>11,401,709</u> \$	<u>40,584,057</u>

NOTE 9 – RISK FINANCING

The Town is self-insured for portions of its workers' compensation and its health insurance activities. The health insurance activities are accounted for in the internal service fund. The workers' compensation activities are accounted for in the general fund.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many factors. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claims settlement trends, and other economic and social factors.

Insurance

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. The Town participates in a premium-based health care plan for its active and eligible retired employees. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

The Town estimates its' Incurred But Not Reported (IBNR) health claims based on historical and current claim payment analysis. The Town purchases individual stop loss insurance for claims in excess of the \$125,000 coverage provided by the Town. At June 30, 2015, the amount of the liability for health insurance claims totaled \$1,083,000.

Changes in the reported liability since July 1, 2013, are as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Year-End
2014.....	\$ 1,016,000	\$ (16,321,743)	\$ 16,396,743	\$ 1,091,000
2015.....	1,091,000	(16,928,398)	16,920,398	1,083,000

Workers' Compensation

The Town participates in a premium-based workers' compensation insurance plan for its employees, except for police officers and firefighters for which the Town is self-insured. The Town's liability related to incurred but not reported claims for police officers and/or firefighter's worker's compensation is not material at June 30, 2015, and is therefore not reported.

NOTE 10 – PENSION PLAN

Plan Descriptions

The Town is a member of the Middlesex County Retirement System (MCRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 71 member units. The system is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The audited financial report may be obtained by visiting www.middlesexretirement.org

The Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the 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 the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for*

Pensions and the Commonwealth is a nonemployer contributor in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2014. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$6,298,586 is reported in the general fund as intergovernmental revenue and pension expense in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$90,660,017 as of the measurement date.

Benefits Provided

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

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. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the MCRS a legislatively mandated actuarial determined contribution that is apportioned amongst the employers based on the actuarial data. The Town's proportionate share of the actuarial required contribution was \$8,541,268. This amount when combined with plan member contributions is expected to finance the cost of benefits earned by plan members during the year, with an additional amount to finance any unfunded liability. The total member contribution is equal to 28.31% of covered payroll. The Town's proportionate share of the actuarial required contribution equaled its actual contribution.

Pension Liabilities

At June 30, 2015, the Town reported a liability of \$119,888,000 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. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. 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 members, actuarially determined. At

December 31, 2014, the Town's proportion was 9.9%, which did not change from its proportion measured at December 31, 2013.

Pension Expense

For the year ended June 30, 2015, the Town recognized pension expense of \$2.3 million. At June 30, 2015, the Town reported deferred outflows of resources related to pensions of \$405,000, from the net difference between projected and actual investment earnings on pension plan investments. Since the System performs an actuarial valuation bi-annually, there are no reported differences between expected and actual experience nor a change of assumptions as of December 31, 2014.

The deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016.....	\$ 101,217
2017.....	101,217
2018.....	101,217
2019.....	<u>101,219</u>
Total.....	\$ <u>404,870</u>

Actuarial Assumptions

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

Valuation date.....	January 1, 2014
Actuarial cost method.....	Entry Age Normal Cost Method.
Amortization method.....	Prior year's total contribution increased by 6.5% for fiscal 2016 through fiscal 2020, and thereafter the remaining unfunded liability will be amortized on a 4.0% annual increasing basis; ERI liability amortized in level payments.
Remaining amortization period.....	As of July 1, 2014, 5 years remaining for 2002 ERI liability, 6 years remaining for 2003 ERI liability, 8 years remaining for 2010 ERI liability, and 21 years for remaining unfunded liability.
Asset valuation method.....	The difference between the expected return and the actual investment return on a market value basis is recognized over a five year period. Asset value is adjusted as necessary to be within 20% of the market value.
Inflation rate.....	4.00%
Projected salary increases.....	Varies by length of service with ultimate rates of 4.25% for Group 1, 4.50% for Group 2 and 4.75% for Group 4.
Cost of living adjustments.....	3.0% of the first \$14,000 of retirement income.

Rates of retirement.....	Varies based upon age for general employees, police and fire employees.
Rates of disability.....	For general employees, it was assumed that 45% of all disabilities are ordinary (55% are service connected). For police and fire employees, 10% of all disabilities are assumed to be ordinary (90% are service connected).
Mortality Rates:	
Pre-Retirement.....	The RP-2000 Employee Mortality Table projected 22 years with a Scale AA.
Healthy Retiree.....	The RP-2000 Healthy Annuitant Mortality Table projected 17 years with a Scale AA.
Disabled Retiree.....	The RP-2000 Healthy Annuitant Mortality Table set forward three years projected 17 years with Scale AA.
Investment rate of return/Discount rate...	7.875%, net of pension plan investment expense, including inflation previously 8.0%

Investment policy

The pension plan’s policy in regard to the allocation of invested assets is established by PRIT. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

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 real rates of return (expected returns, net of pension plan investment expense and inflation) 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 real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of January 1, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Long-Term Expected Asset Allocation</u>
Domestic equity.....	6.60%	19.60%
International developed markets equity.....	7.10%	15.60%
International emerging markets equity.....	9.40%	6.50%
Core fixed income.....	2.20%	15.30%
High-yield fixed income.....	4.70%	8.30%
Real estate.....	4.40%	9.90%
Commodities.....	4.40%	3.90%
Short-term government money market.....	1.80%	0.00%
Hedge fund, GTAA, Risk parity.....	3.90%	9.80%
Private equity.....	11.70%	11.10%

Rate of return

For the year ended December 31, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.54%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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 plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan’s fiduciary 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.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.875%, as well as what 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:

	1% Decrease (6.875%)	Current Discount (7.875%)	1% Increase (8.875%)
	<u> </u>	<u> </u>	<u> </u>
The Town’s proportionate share of the net pension liability.....	\$ 144,969,449	\$ 119,887,544	\$ 98,533,183

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The Town of Billerica administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Town’s group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

At January 1, 2014, the Plan’s membership consisted of the following:

Active members.....	1,042
Retirees, Disabled, Survivors and beneficiaries.....	<u>1,014</u>
Total.....	<u>2,056</u>

Funding Policy – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 50% of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 50% percent of their premium costs.

Annual OPEB Cost and Net OPEB Obligation – The Town’s annual other post-employment benefit (OPEB) cost (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 45. The ARC represents a level of funding

that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation are summarized in the following table:

Annual required contribution.....	\$ 22,240,000
Interest on net OPEB obligation.....	3,622,000
Adjustments to annual required contribution.....	<u>(3,984,000)</u>
Annual OPEB cost (expense).....	21,878,000
Contributions made.....	<u>(9,417,000)</u>
Increase/(Decrease) in net OPEB obligation.....	12,461,000
Net OPEB obligation - beginning of year.....	<u>86,236,000</u>
Net OPEB obligation - end of year.....	<u><u>\$ 98,697,000</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two most recent preceding years are as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2015	\$ 21,878,000	43%	\$ 98,697,000
6/30/2014	27,798,000	32%	86,236,000
6/30/2013	26,187,000	35%	67,281,000

Funded Status and Funding Progress – As of January 1, 2012, the most recent actuarial valuation date, the following actuarial information is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll ((B-A)/C)</u>
1/1/2014	\$ 595,766	\$ 276,273,605	\$ 275,677,839	0.2%	\$ 70,631,965	390.3%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include 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 about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer 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 employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2014, actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 4.20% investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 11% initially, graded to 5% over 10 years. The UAAL is being amortized over a 30 year period, closed. The remaining amortization period at June 30, 2015 is 24 years.

NOTE 12 – COMMITMENTS

The Town is currently authorized to commit and expend \$15.6 million relative to wastewater treatment and other sewer capital activities, \$4.6 million in pumping station improvements, and \$4.4 million to complete various other Town projects.

NOTE 13 – CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2015, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2015, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2015.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 21, 2016, which is the date the financial statements were available to be issued.

NOTE 15 – REVISION/RESTATEMENT OF NET POSITION PREVIOUSLY REPORTED

Beginning net position of governmental activities, business-type activities and the water and sewer enterprise fund has been revised to reflect the implementation of GASB Statement #68. Governmental activities and the water and sewer enterprise funds have also been restated to properly reflect sewer and water capital reserve funds that were previously reported in the nonmajor governmental funds. The revised and restated balances are summarized in the following table:

	Government-Wide Financial Statements		Proprietary Fund Financial Statements	
	Governmental Activities	Business-type Activities	Water Enterprise Fund	Sewer Enterprise Fund
June 30, 2014 previously reported balance....	\$ 45,871,395	\$ 69,801,840	\$ 30,320,057	\$ 39,481,783
Revision				
Implementation of GASB 68.....	(105,885,708)	(11,297,021)	(7,015,372)	(4,281,649)
Restatements				
Water capital reserves.....	(321,806)	321,806	321,806	-
Sewer capital reserves.....	(3,028,645)	3,028,645	-	3,028,645
June 30, 2014 revised/restated balance.....	\$ <u>(63,364,764)</u>	\$ <u>61,855,270</u>	\$ <u>23,626,491</u>	\$ <u>38,228,779</u>

NOTE 14 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2015, the following GASB pronouncements were implemented:

- GASB Statement #67, *Financial Reporting for Pension Plans*; GASB Statement #68, *Accounting and Financial Reporting for Pensions*; and GASB Statement #71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Financial statement changes include the recognition of a net pension liability, pension expense and deferred outflows/inflows of resources depending on the nature of the change each year. The financial statements also recognized a restatement of the beginning net position to reflect the net pension liability at the beginning of the year. The notes to the basic financial statements and the required supplementary information were expanded to include additional required schedules and disclosures.
- GASB Statement #69, *Governmental Combinations and Disposals of Government Operations*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #72, *Fair Value Measurement and Application*, which is required to be implemented in 2016.
- The GASB issued Statement #73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The provisions of this Statement are effective for 2016—except those provisions

that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68, which is required to be implemented in 2017.

- The GASB issued Statement #74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented in 2017.
- The GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018.
- The GASB issued Statement #76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which is required to be implemented in 2016.
- The GASB issued Statement #77, *Tax Abatement Disclosures*, which is required to be implemented in 2017.

Management is currently assessing the impact the implementation of these pronouncements will have on the basic financial statements.

Required Supplementary Information

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 101,647,840	\$ 101,950,016	\$ 102,065,789	\$ -	\$ 115,773
Tax liens.....	-	-	1,007,753	-	1,007,753
Motor vehicle excise tax.....	5,500,000	5,500,000	6,012,526	-	512,526
Hotel/motel tax.....	850,000	850,000	1,043,018	-	193,018
Charges for services.....	7,000,000	7,000,000	8,018,562	-	1,018,562
Penalties and interest on taxes.....	250,000	250,000	420,001	-	170,001
Fees.....	1,900,000	1,900,000	2,477,412	-	577,412
Licenses and permits.....	750,000	750,000	706,189	-	(43,811)
Intergovernmental.....	25,186,572	25,186,572	24,556,859	-	(629,713)
Departmental and other.....	379,500	379,500	687,628	-	308,128
Investment income.....	200,000	200,000	251,513	-	51,513
TOTAL REVENUES.....	143,663,912	143,966,088	147,247,250	-	3,281,162
EXPENDITURES:					
Current:					
General government.....	5,042,704	5,287,048	4,397,426	532,735	356,887
Public safety.....	16,798,088	17,282,188	17,110,582	45,580	126,026
Education.....	65,273,118	65,529,865	64,089,908	1,431,817	8,140
Public works.....	14,392,321	14,358,953	14,386,457	843,195	(870,699)
Human services.....	1,475,232	1,351,732	1,308,686	19,600	23,446
Culture and recreation.....	1,805,761	1,816,361	1,781,813	37,190	(2,642)
Pension benefits.....	8,541,268	8,541,268	8,541,268	-	-
Employee benefits.....	14,067,640	14,327,640	14,315,673	-	11,967
Building Insurance.....	1,020,000	910,000	755,003	-	154,997
State and county charges.....	5,886,721	5,886,721	5,734,241	-	152,480
Capital outlay.....	1,540,896	1,640,896	850,347	748,656	41,893
Debt service:					
Principal.....	6,951,932	6,951,932	6,950,966	-	966
Interest.....	2,385,047	2,183,300	2,106,435	-	76,865
TOTAL EXPENDITURES.....	145,180,728	146,067,904	142,328,805	3,658,773	80,326
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES....	(1,516,816)	(2,101,816)	4,918,445	(3,658,773)	3,361,488
OTHER FINANCING SOURCES (USES):					
Prior year deficits raised on recap.....	(748,887)	(748,887)	-	-	748,887
Use of fund balance to fund prior year carryovers.....	2,182,109	2,182,109	-	-	(2,182,109)
Use of free cash to fund appropriations.....	-	7,285,100	-	-	(7,285,100)
Use of overlay surplus to fund appropriations.....	-	2,720,172	-	-	(2,720,172)
Current deficit raised on subsequent recap.....	-	50,000	-	-	(50,000)
Transfers in.....	83,594	83,594	83,594	-	-
Transfers out.....	-	(9,470,272)	(9,470,272)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	1,516,816	2,101,816	(9,386,678)	-	(11,488,494)
NET CHANGE IN FUND BALANCE.....	-	-	(4,468,233)	(3,658,773)	(8,127,006)
BUDGETARY FUND BALANCE, Beginning of year.....	19,618,326	19,618,326	19,618,326	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 19,618,326	\$ 19,618,326	\$ 15,150,093	\$ (3,658,773)	\$ (8,127,006)

See notes to required supplementary information.

Pension Plan Schedules

The Schedule of the Town's Proportionate Share of the Net Pension Liability presents multi-year trend information on the Town's net pension liability and related ratios.

The Schedule of Town's Contributions presents multi-year trend information on the Town's required and actual contributions to the pension plan and related ratios.

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts Teachers Contributory Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the Town along with related ratios.

These schedules are intended to present information for ten years. Until a ten year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
MIDDLESEX COUNTY CONTRIBUTORY RETIREMENT SYSTEM**

	December 31, 2014
Town's proportion of the net pension liability (asset).....	9.98%
Town's proportionate share of the net pension liability (asset).....	\$ 119,887,544
Town's covered employee payroll.....	\$ 30,175,213
Net pension liability as a percentage of covered-employee payroll.....	397.30%
Plan fiduciary net position as a percentage of the total pension liability.....	47.65%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for
which information is available.

See notes to required supplementary information.

MIDDLESEX CONTRIBUTORY RETIREMENT SYSTEM

	December 31, 2014
Actuarially determined contribution.....	\$ 8,541,268
Contributions in relation to the actuarially determined contribution.....	<u>8,541,268</u>
Contribution deficiency (excess).....	<u>\$ -</u>
Covered-employee payroll.....	\$ 30,175,213
Contributions as a percentage of covered- employee payroll.....	28.31%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those
years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE SPECIAL FUNDING AMOUNTS
OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM**

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Town; the portion of the collective pension expense as both a revenue and pension expense recognized by the Town; and the Plan's fiduciary net position as a percentage of the total liability.

<u>Fiscal Year</u>	<u>Commonwealth's 100% Share of the Net Pension Liability Associated with the Town</u>	<u>Town's Expense and Revenue Recognized for the Commonwealth's Support</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Liability</u>
2015.....	\$ 90,660,017	\$ 6,298,586	61.64%

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

Other Postemployment Benefits Plan Schedules

The Schedule of Funding progress compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Employer Contributions presents the employer's required and actual contributions to the plan as well as the total contributions to the plan.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

JUNE 30, 2015

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/2014	\$ 596,755	\$ 276,273,605	\$ 275,676,850	0.22%	\$ 70,631,965	390.3%
1/1/2012	-	279,117,655	279,117,655	0%	67,242,000	415.1%
1/1/2009	-	233,836,000	233,836,000	0%	65,751,000	355.6%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
6/30/2015	\$ 22,240,000	\$ 9,417,000	42%
6/30/2014	28,036,000	8,843,000	32%
6/30/2013	26,290,000	9,239,000	35%
6/30/2012	24,679,928	8,648,055	35%
6/30/2011	21,058,524	8,738,829	41%
6/30/2010	19,487,734	8,068,853	41%
6/30/2009	18,058,534	7,590,797	42%

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

YEAR ENDED JUNE 30, 2015

Actuarial Methods:

Valuation date.....	January 1, 2014
Actuarial cost method.....	Projected unit credit cost method
Amortization method.....	January 1, 2014, 30 years, closed
Remaining amortization period.....	30 years

Actuarial Assumptions:

Discount rate of return.....	4.20%
Investment rate of return.....	7.50%
Medical/drug cost trend rate.....	11% initially, graded to 5% over 10 years

Plan Membership:

Current retirees, beneficiaries, and dependents...	1,042
Current active members.....	<u>1,014</u>
 Total.....	 <u><u>2,056</u></u>

See notes to required supplementary information.

NOTE A – BUDGETARY BASIS OF ACCOUNTINGA. Budgetary Information

Municipal Law requires the Town to adoption of a balanced budget that is approved by Town Meeting. The Finance Committee presents an annual budget to the Town Meeting Representatives (the Representatives), which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The Representatives, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Increases or transfers between and within departments subsequent to the approval of the annual budget, requires majority Representative approval via a special article.

The majority of the Town's appropriations are non-continuing which lapse at the end of each year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current year. These carry forwards are included as part of the subsequent year's original budget.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the Town is statutorily required to pay debt service, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by majority vote of the Representatives.

The Town adopts an annual budget for the General Fund in conformity with the guidelines described above. The original 2015 approved budget authorized \$143.7 million in appropriations and other amounts to be raised, as well as \$2.2 million in encumbrances and capital articles carried forward from the prior year. During 2015, the original budget was increased by \$10.4 million as a result of Town Meeting having voting other financing uses, funded by free cash, to fund full day kindergarten and other school capital project needs, the Town Hall Masonry and Window replacement project, new water meters, sewer capital project needs, a new fire truck, and a transfer to the debt stabilization fund.

The Town Accountant has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the Town's accounting system.

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth of Massachusetts) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2015, is presented below:

Net change in fund balance - budgetary basis.....	\$	(4,468,233)
<u>Perspective difference:</u>		
Activity of the stabilization fund recorded in the general fund for GAAP.....		4,114,778
<u>Basis of accounting differences:</u>		
Increase in revenues due to on-behalf payments.....		6,298,586
Increase in expenditures due to on-behalf payments.....		(6,298,586)
Net change in revenues in recording 60 day receipts.....		94,000
Net change in recording tax refunds payable.....		316,000
		<u>316,000</u>
Net change in fund balance - GAAP basis.....	\$	<u>56,545</u>

NOTE B – PENSION PLAN***Pension Plan Schedules*****A. Schedule of the Town's Proportionate Share of the Net Pension Liability**

The Schedule of the Town's Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability (asset), the proportionate share of the net pension liability, and the covered employee payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

B. Schedule of Town's Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. The Town may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the "total appropriation".

C. Schedule of the Special Funding Amounts of the Net Pension Liabilities

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Town; the portion of the collective pension expense as both a revenue and pension expense recognized by the Town; and the Plan's fiduciary net position as a percentage of the total liability.

D. Changes in Assumptions:

None.

E. Changes in Plan Provisions:

None.

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

The Town administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides lifetime healthcare and life insurance for eligible retirees and their spouses through the Town's health insurance plan, which covers both active and retired members, including teachers.

The Town currently finances its other postemployment benefits (OPEB) on a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 0%. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which the Town includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

The Schedule of Funding Progress presents multi-year information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of the accumulated plan assets.

The Schedule of Employer Contributions presents multiyear trend information for required and actual contributions to the plan as a whole.

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

The Schedule of Actuarial Assumptions presents factors that significantly affect the identification of trends in the amounts reported.